

Brand Catalog

Virginia Slims
Merit
Benson & Hedges
Cambridge

Final Reports

March 1996

B0321

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* A Global Resource for Measuring and Managing Stakeholder Relationships

Brand Catalog Survey Question Summary

Overall Measures

| | |
|-----------------|---|
| Overall Opinion | "Taking into consideration your own experiences, as well as what you may have read or heard, what is your overall opinion of the [Brand] program?" |
| Overall Quality | "And considering your own experiences, as well as what you may have read or heard, how would you rate the overall quality of the [Brand] program?" |
| Effort | "Taking into consideration the effort required to collect, save, and send in UPC's in order to participate in the [Brand] program, would you describe the effort required of you as being...?" |
| Price | Among occasional discount smokers: "Given the price you pay for [Brand] and the opportunity to redeem for free merchandise, would you consider the price to participate in the program to be...?" |
| Value | "Considering the program's overall quality in relation to the effort it takes to save, collect, and send in UPC's, would you say that the [Brand] program offers an...?" |
| Related Images | "I am going to read a list of statements which might be used to describe the [Brand] program. As I read each statement, please indicate whether you strongly agree, agree, neither agree nor disagree, disagree, or strongly disagree." |

Brand Catalog Survey Question Summary

Overall Measures

| | |
|-----------------------------------|---|
| Effort Relative to Other Programs | "And how would you rate the effort required to participate in the [Brand] program relative to other promotional programs?" |
| Value Relative to Other Programs | "And how would you rate the [Brand] program relative to other promotional programs, in term of the effort it takes to save, collect, and send in UPC's? Would you say the [Brand] program offers a...?" |
| Recommend | "What is the likelihood that you would recommend the [Brand] program to a friend, colleague, or business associate?" |
| Continue to Use | "What is the likelihood you will continue participating in future [Brand] programs?" |
| Participate in Other Activities | "What is the likelihood you will participate in other [Brand] promotional activities, such as sweepstakes and contests?" |

Brand Catalog Survey Question Summary

Overall Measures

| | |
|---------------------------------|--|
| Catalog | "Thinking specifically about the catalogs in the [Brand] programs, how would you rate the overall quality of the catalogs themselves? I am referring only to the catalog booklet itself." |
| Merchandise | "And, how would you rate the overall quality of the merchandise offered through the [Brand] catalog?" |
| Redemption | "Now please consider the entire redemption process. By this I am referring to such things as having enough time to collect UPC's, being an appropriate number of UPC's to collect for an item, and the ease of the ordering form. Would you say...?" |
| Collection | "Now please think about the process of collecting the UPC's. By this I am referring to cutting or tearing off the UPC's, storing them, and sending them in for redemption. Would you say the process is...?" |
| Customer Service Representative | "How would you rate the overall quality of the Customer Service Representative? Would you say the quality is...?" |
| Delivery | "And thinking about the program you most recently participated in, how would you rate the overall quality of the delivery process?" |
| Communications | "Now I'd like you to think about all the ways the [Brand] program communicates with you. This may include information shown through store displays or mailings you may receive. How would you rate the overall quality of the [Brand] communications?" |

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Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Brand Catalog Content/Agenda

- Introduction (Objectives, Method, Model)
- Virginia Slims Results
- Merit Results
- Benson & Hedges Results
- Cambridge Results
- Total Results/Brand Catalog Comparison

Brand Catalog Objectives

- Following a similar study of the Marlboro Miles program in June 1995, the following catalog programs were evaluated: Benson & Hedges, Cambridge, Merit, and Virginia Slims.
- Smokers who redeemed UPC codes for catalog merchandise were interviewed with the following objectives:
 - » To measure performance from the catalog user's perspective
 - » To assess the relative impact of each area of performance in order to identify key drivers of redeemer satisfaction.
 - » To identify strengths and weaknesses of the catalog programs
 - » To compare the relative performance of key areas by brand

Brand Catalog Methodology

- Redeemer sample lists were provided by MSA. Those selected were pulled based on recent redemption (past 3 months). (See appendix for information on percent of completed interviews compared to sample population by brand, female/male, and age group.)
- The same survey for the Marlboro Miles program was used for the Brand Catalog Program. Some minor modifications were made.
- A total of 1,208 interviews (about 300 per Brand) were completed. A total of 1,353 interviews were completed on the Marlboro Miles Program.
- Interviews were conducted from October 31 through November 26, 1995.
- Interviews averaged 16 minutes in length.

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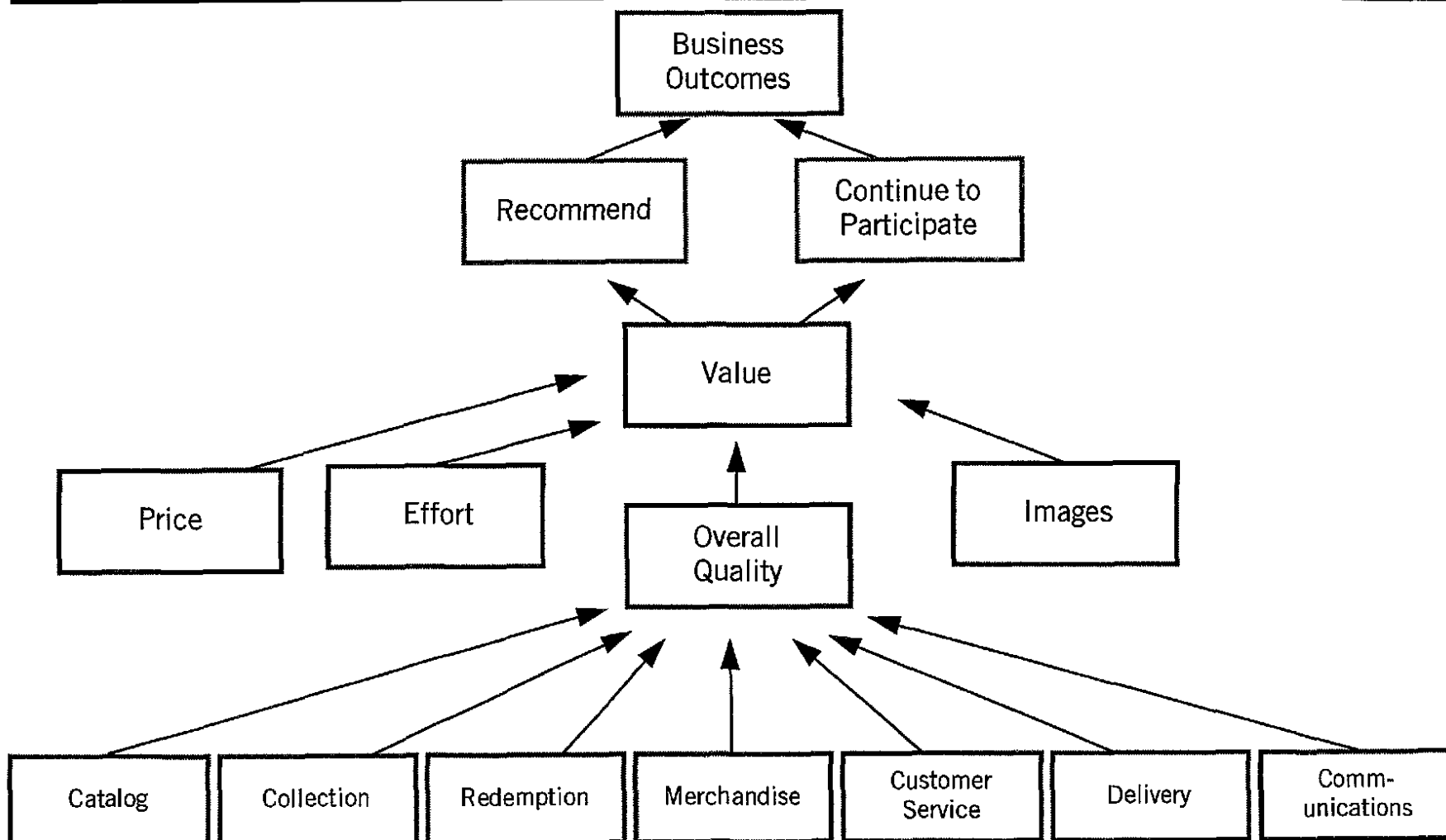
Brand Catalog Catalog User Summary

| | Total | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|---------------------------|-------|--------------------|-----------|-------|-------------------|-------------------------|
| Total Interviews | 1,208 | 301 | 301 | 306 | 300 | 1,353 |
| Males | 32% | 38% | 43% | 44% | 4% | 50% |
| Females | 68% | 62% | 57% | 56% | 96% | 50% |
| Discount Brand Smokers | 17% | 10% | 35% | 11% | 11% | 14% |
| Loyals* | 81% | 83% | 73% | 85% | 81% | 81% |

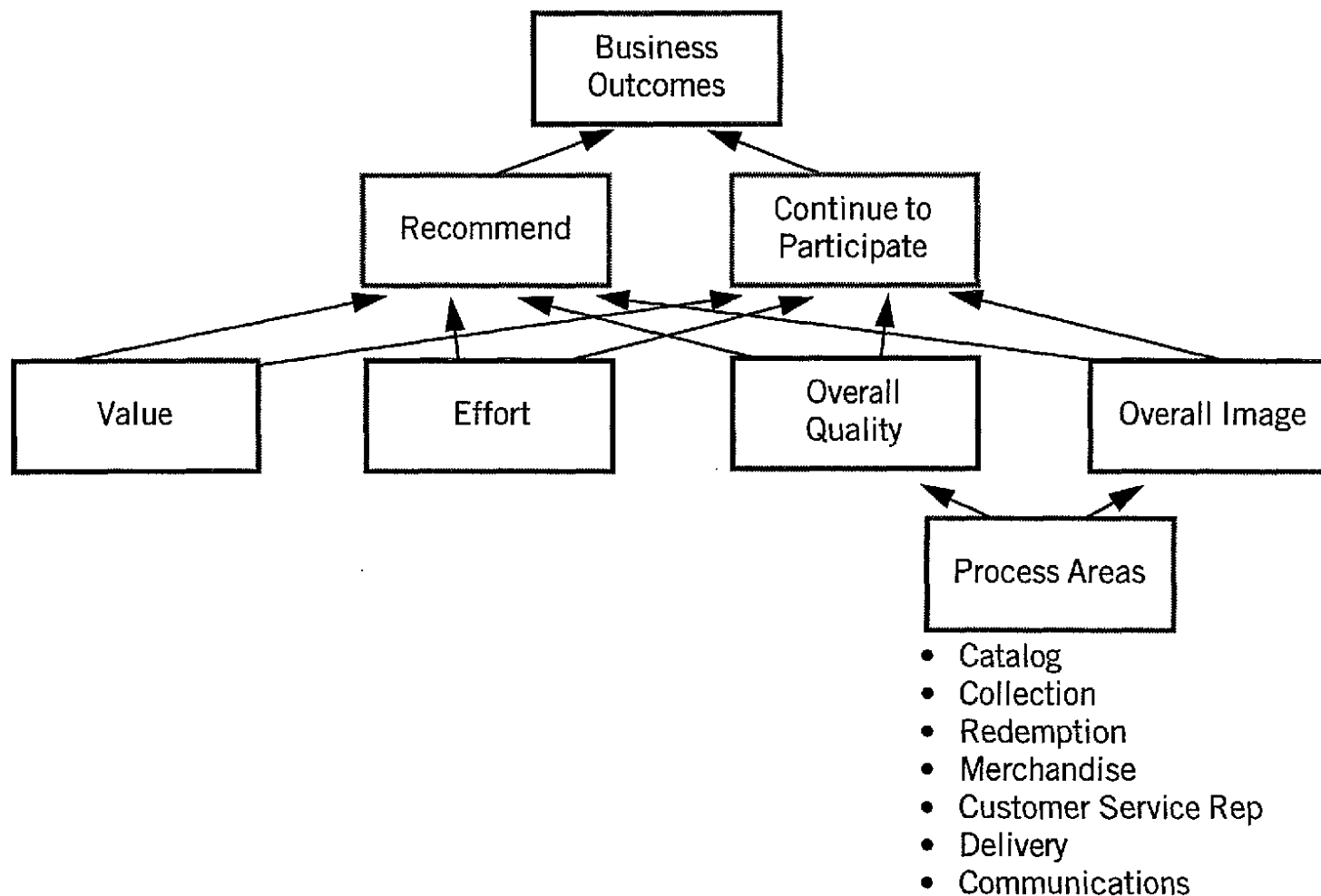
* Those who smoke and buy brand ten out of last ten purchases.

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Brand Catalog Traditional Model of Redeemer Satisfaction Management



Brand Catalog Model of Redeemer Satisfaction Management



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Brand Catalog
Model of Redeemer Satisfaction Management

- Redeemer Commitment, namely Recommend and Continue to Participate, are directly influenced by various overall perceptions or attitudes related to brand catalog programs.
 - » Measures of Redeemer Commitment are current behavior intentions which indicate future behavior.
- Overall program perceptions which drive future behavior include Value, Effort, Overall Quality and Overall Image.
 - » Overall Image is a composite measure of related images of the program.
 - » Overall Quality is a composite measure of Overall Program Quality and Overall Opinion of the program.

Brand Catalog

Model of Redeemer Satisfaction Management (cont'd)

- Finally, Overall Quality and Overall Image are in turn influenced by various aspects of a redeemer's experience and interaction with the catalog program.
- Lisrel analysis was used to develop the Brand Catalog Redeemer model. (See appendix)

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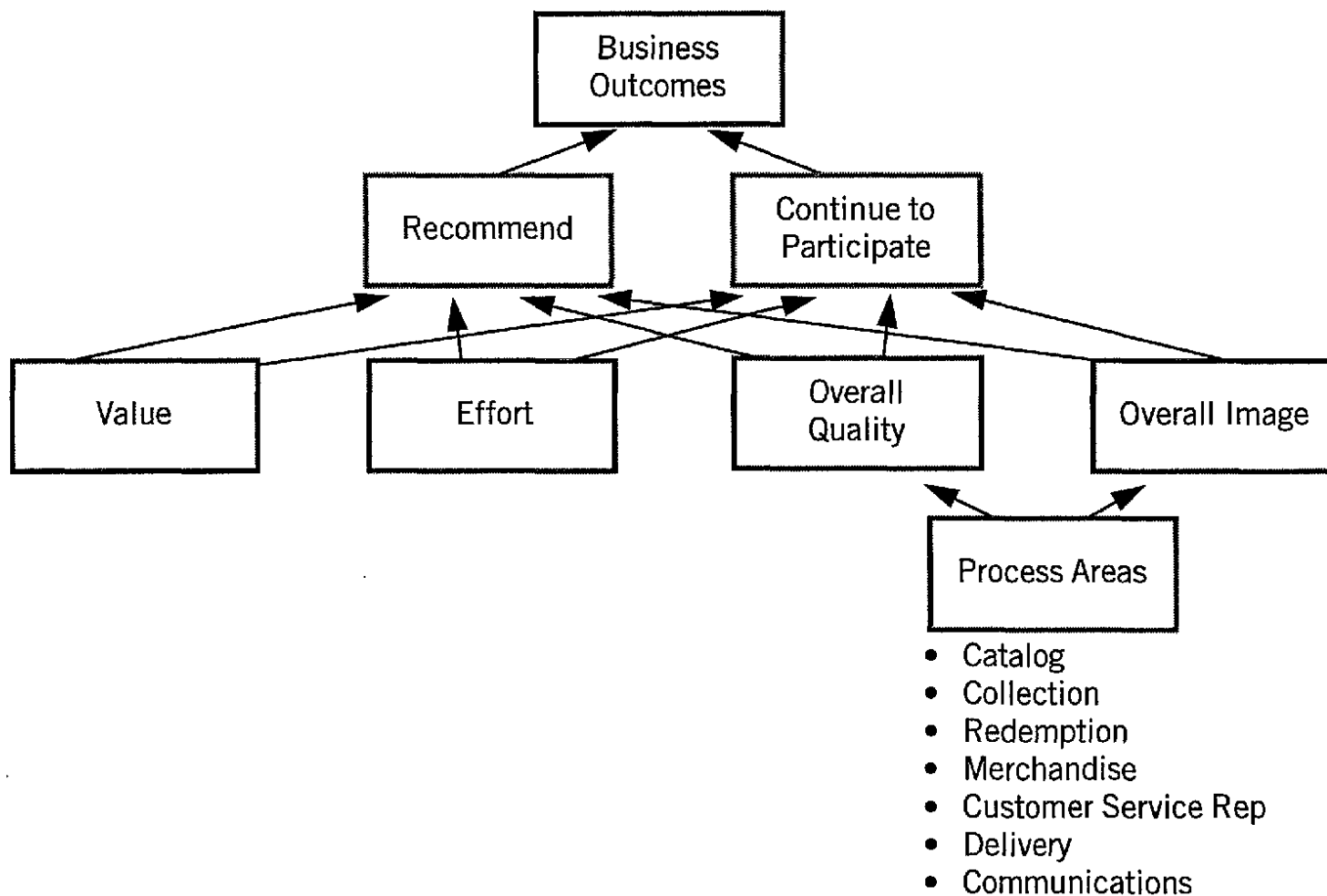
VIRGINIA SLIMS

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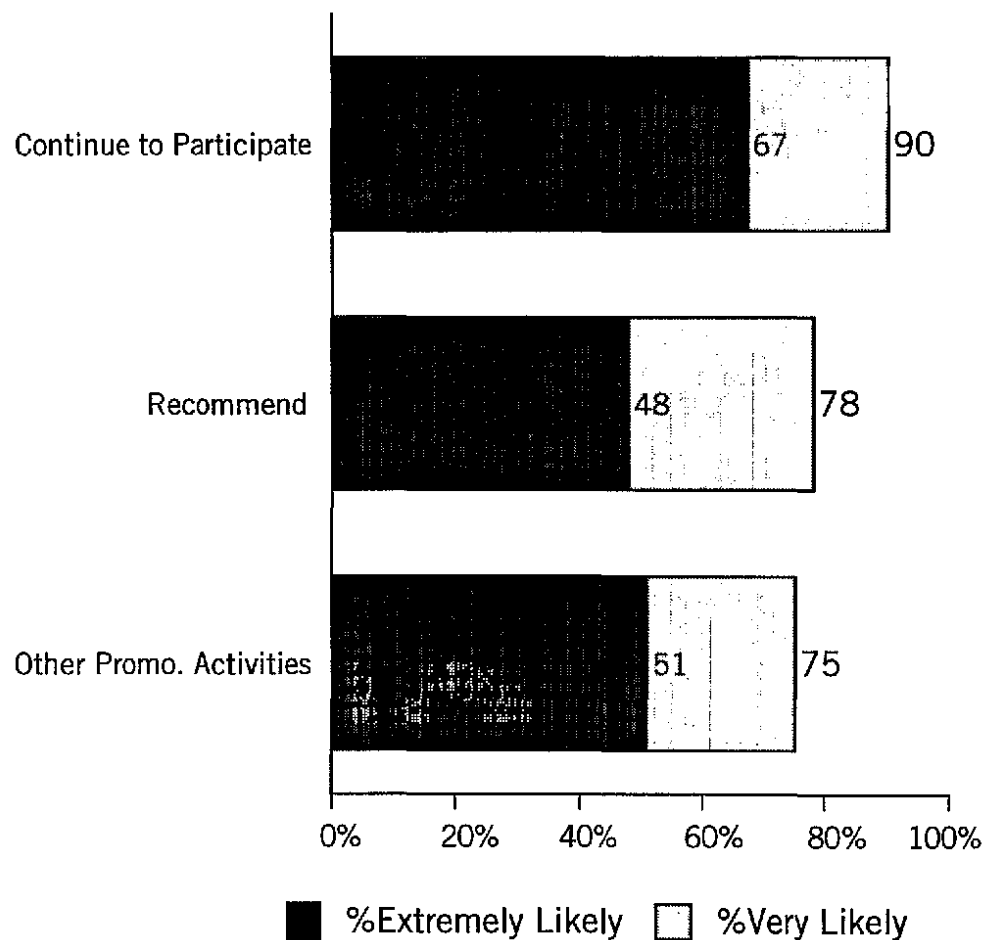
Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Virginia Slims

Model of Redeemer Satisfaction Management



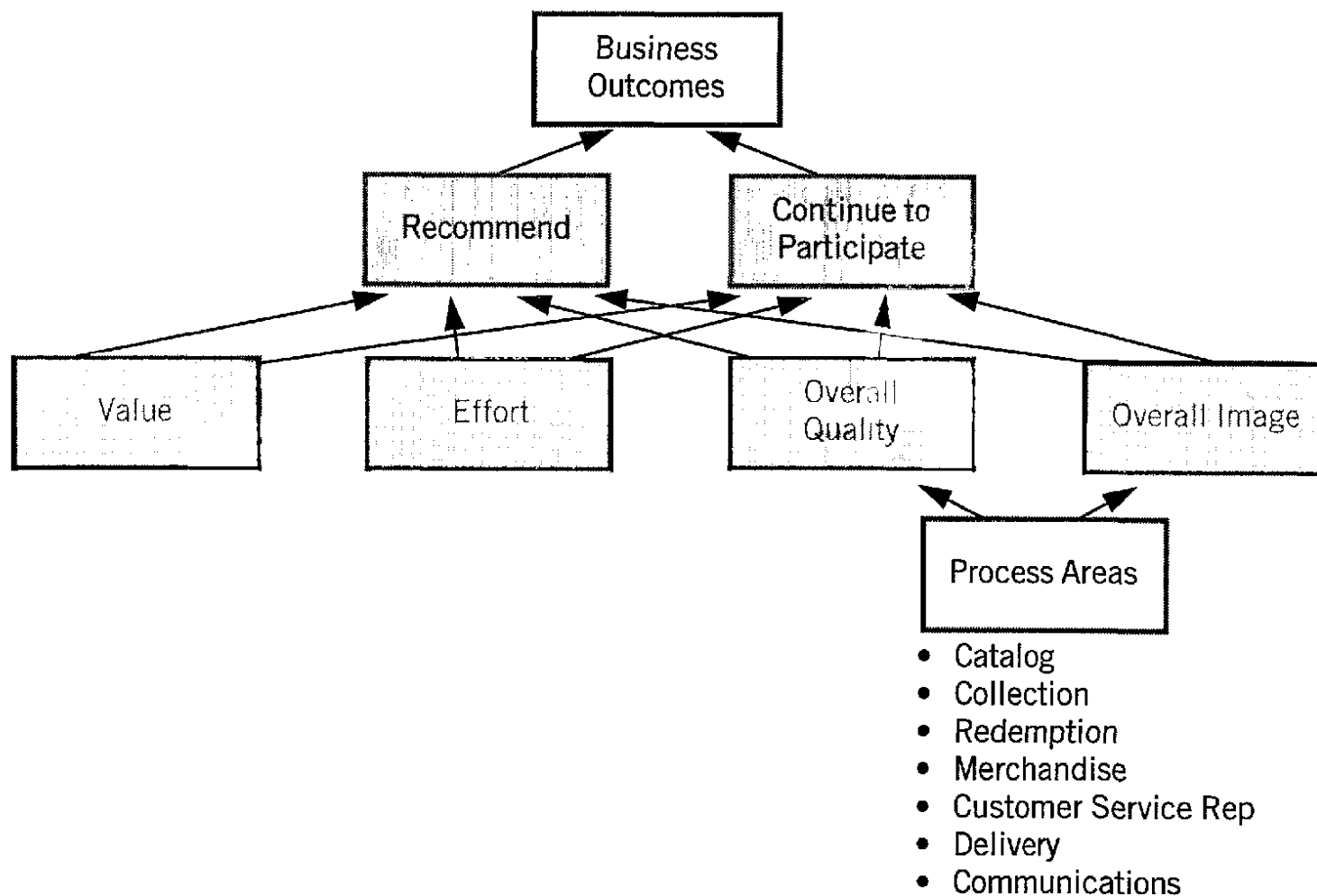
Virginia Slims Redeemer Commitment



- Virginia Slims catalog redeemers are highly likely to Continue Participating in the program.
- Enhancement behaviors such as Recommendation are somewhat less positive.

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Virginia Slims Model of Redeemer Satisfaction Management

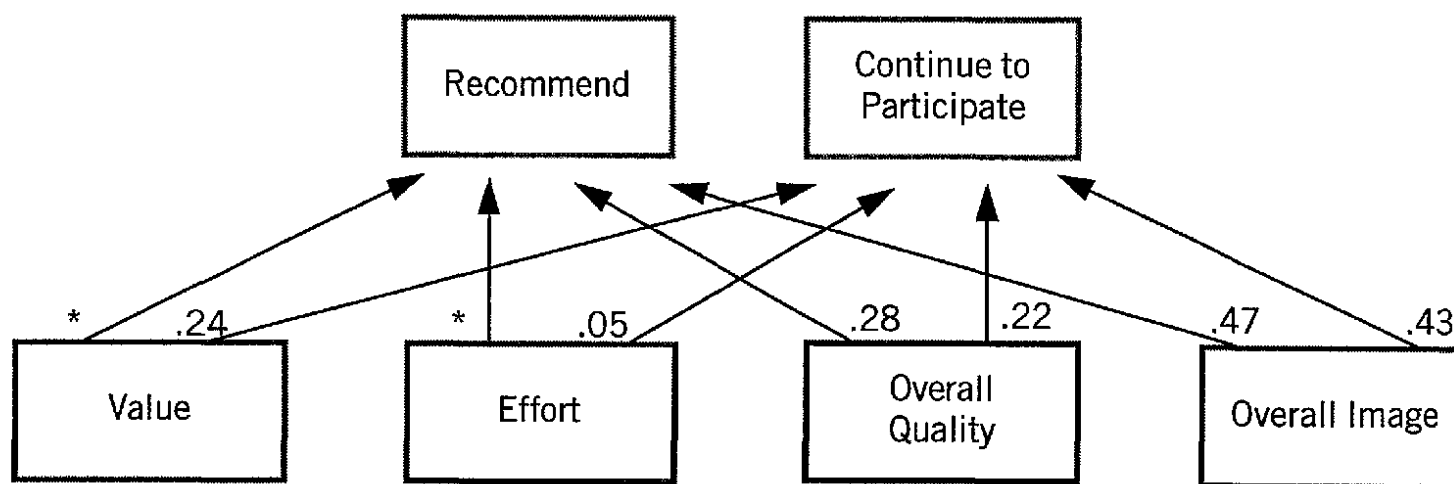


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Virginia Slims Model of Redeemer Satisfaction Management

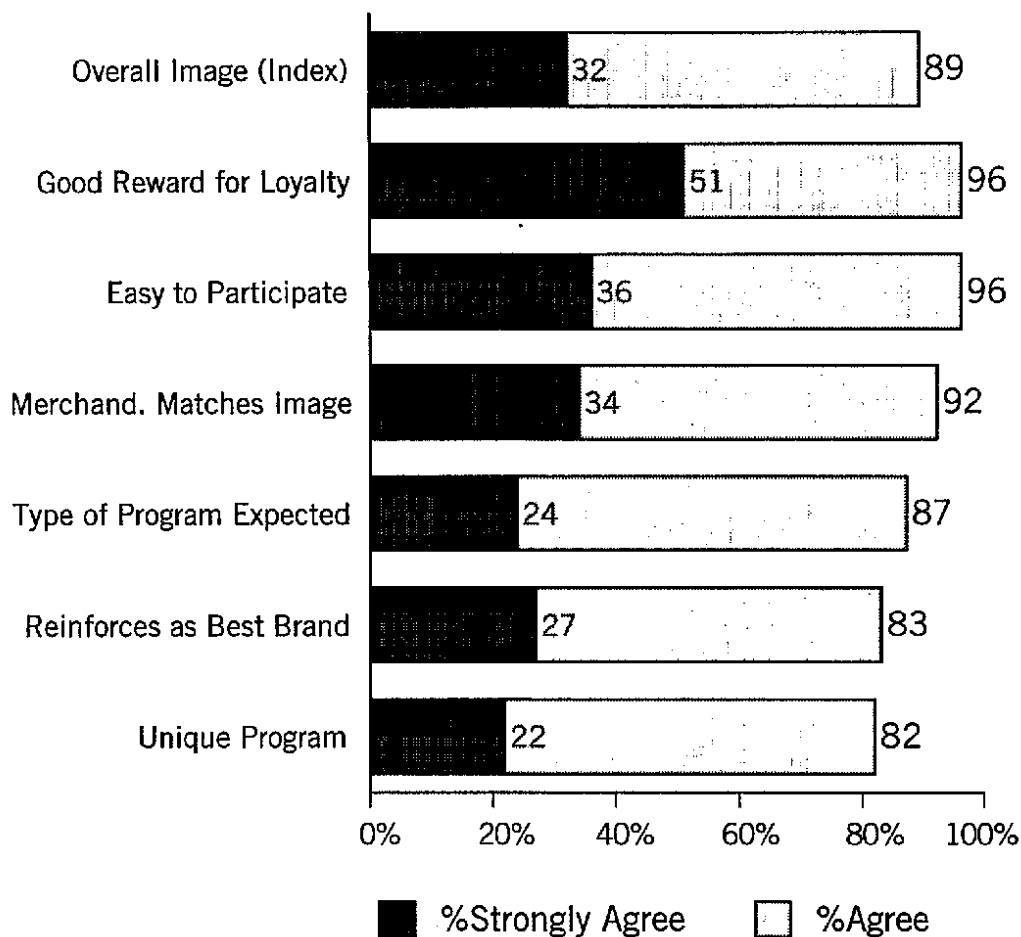
- Measures of Commitment, namely Recommend and Continue to Participate, are linked to overall perceptions of the Virginia Slims catalog program.
- Overall Image is the primary driver of future behavior, followed by Overall Quality.
 - » Continued Participation is also driven by Value and, to a lesser extent, Effort.
 - » Value and Effort are not significantly linked with Recommendation behavior.

Virginia Slims Intentions and Attitudes Model



* Not statistically significant.

Virginia Slims Overall Image/Related Images



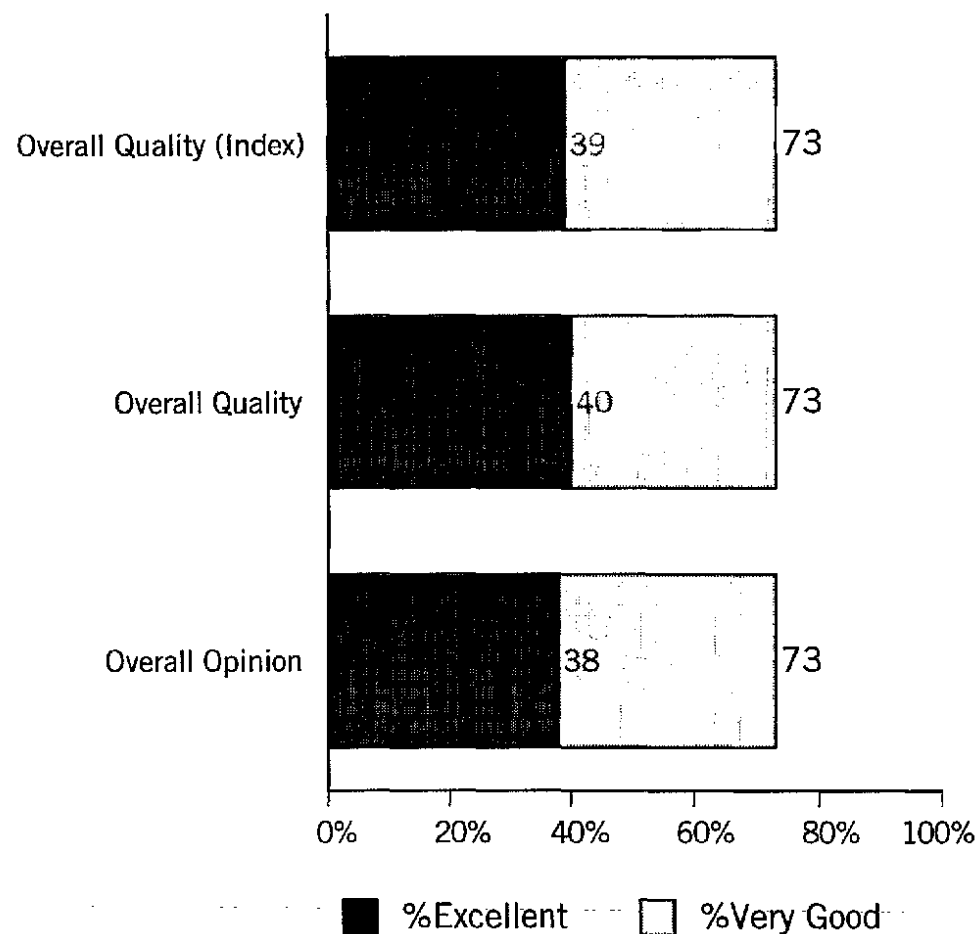
· Good reward for loyalty, ease of participating, and offering merchandise consistent with brand image are the most positive images of the Virginia Slims catalog program.

Note: Overall Image is a composite score of all related images.

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Virginia Slims Overall Program Quality



Overall Quality ratings are identical to Overall Opinion of the program.

Note: The Overall Quality Index is a composite score of Overall Quality and Overall Opinion.

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Virginia Slims

Voice of the Customer – Reasons for Overall Quality

· Merchandise was the most frequent reason for Overall Quality.

“I think it gives you a little more for your money. It gives you a bonus. Something personal for yourself, such as jewelry or articles of clothing.”

“They have nice stuff in the catalog. Everything I’ve gotten that I ordered, I’ve been satisfied with, but sometimes they run out of stuff, and I think they should make sure that doesn’t happen.”

“It does take a while to get the items, depending on what it is. The products are excellent, unlike other cigarette merchandise. The logo isn’t visible, and that’s great. I am very well satisfied with everything.”

“Good advertising. The advertisements in magazines and such catch your eye. They grab your attention.”

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Virginia Slims

Voice of the Customer – Reasons for Overall Quality (cont'd)

“It is because I got my merchandise way ahead of time. They offer a wide variety of stuff. The quality of the merchandise is good.”

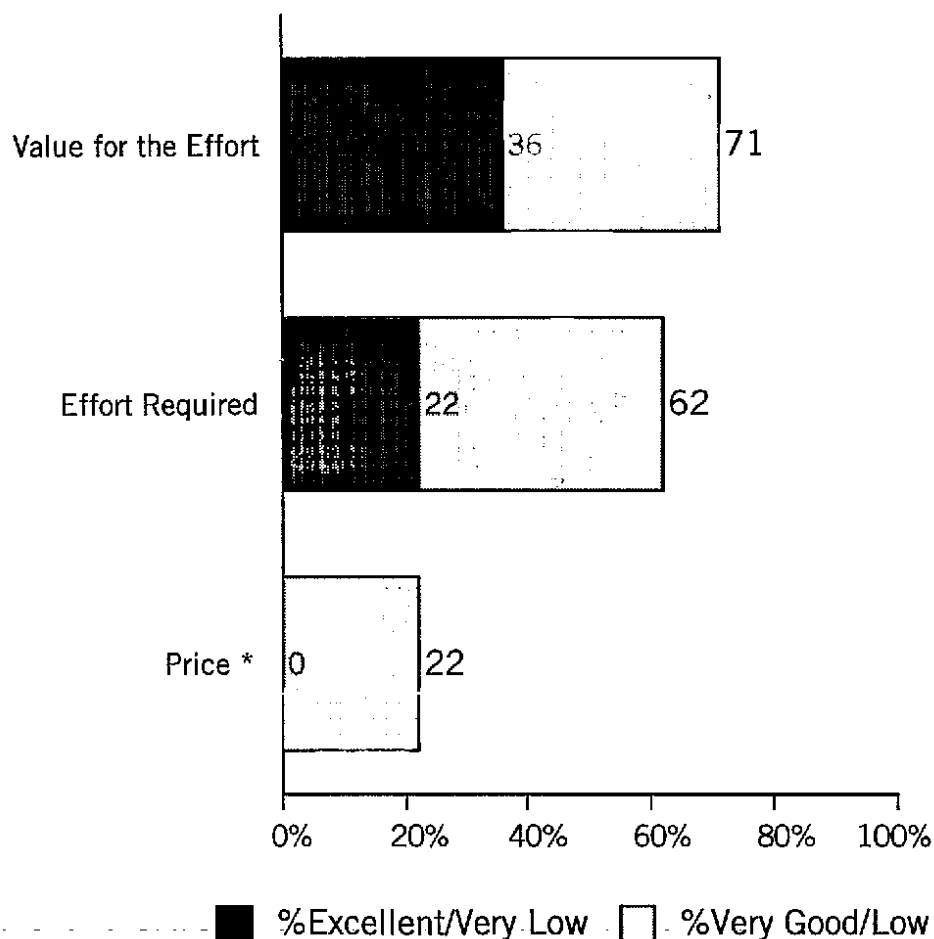
“Just the ordering process. It takes a good while for order to come in. It took two and a half months to get something.”

“It’s very easy to save the UPC’s and mail them in. They are always very efficient in mailing out merchandise, catalogs, and all the promotions. I enjoy their little newsletter that they send once in a while. I love the coupons.”

“The number of points needed versus what you’re getting. The quality of the products outweighs the number of points needed.”

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Virginia Slims Overall Program Value



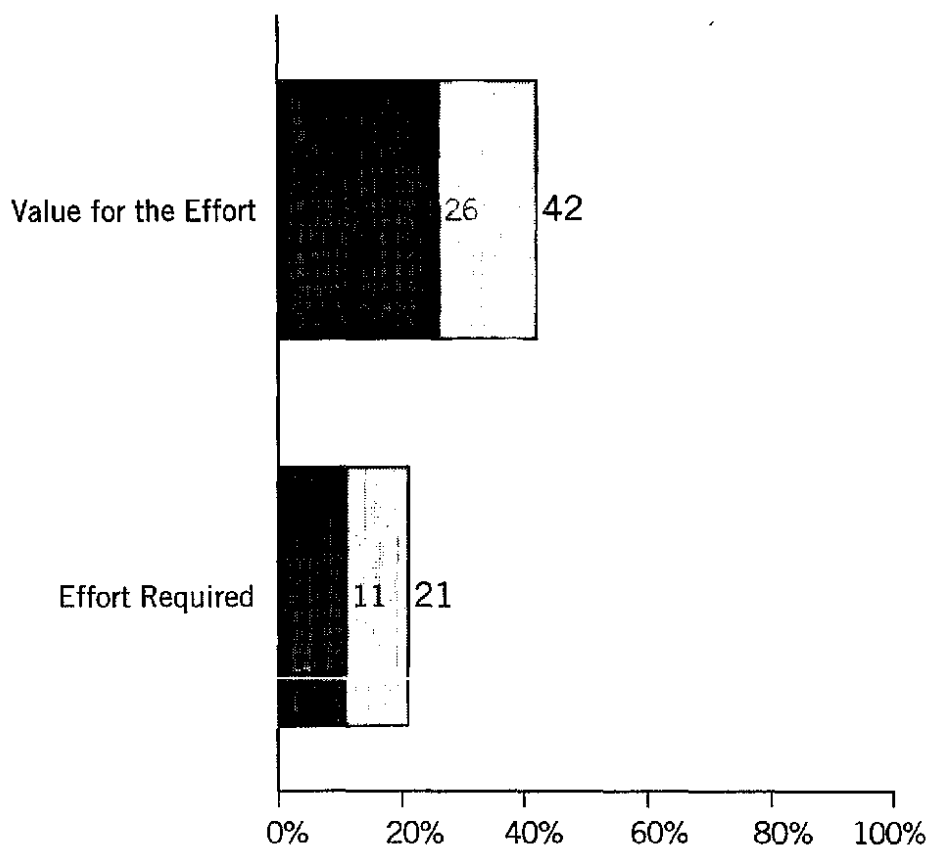
- Value for the effort ratings are good, with most perceiving low Effort.
- Discount smokers generally do *not* perceive low Price based on this program.
- *Price Question: Given the price you pay for Virginia Slims and the opportunity to redeem for free merchandise, would you consider the price to participate in this program to be very low priced, low priced, moderately priced, high priced, or very high priced?*

* Among Discount Smokers Only.

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Virginia Slims Program Value Relative to Other Programs



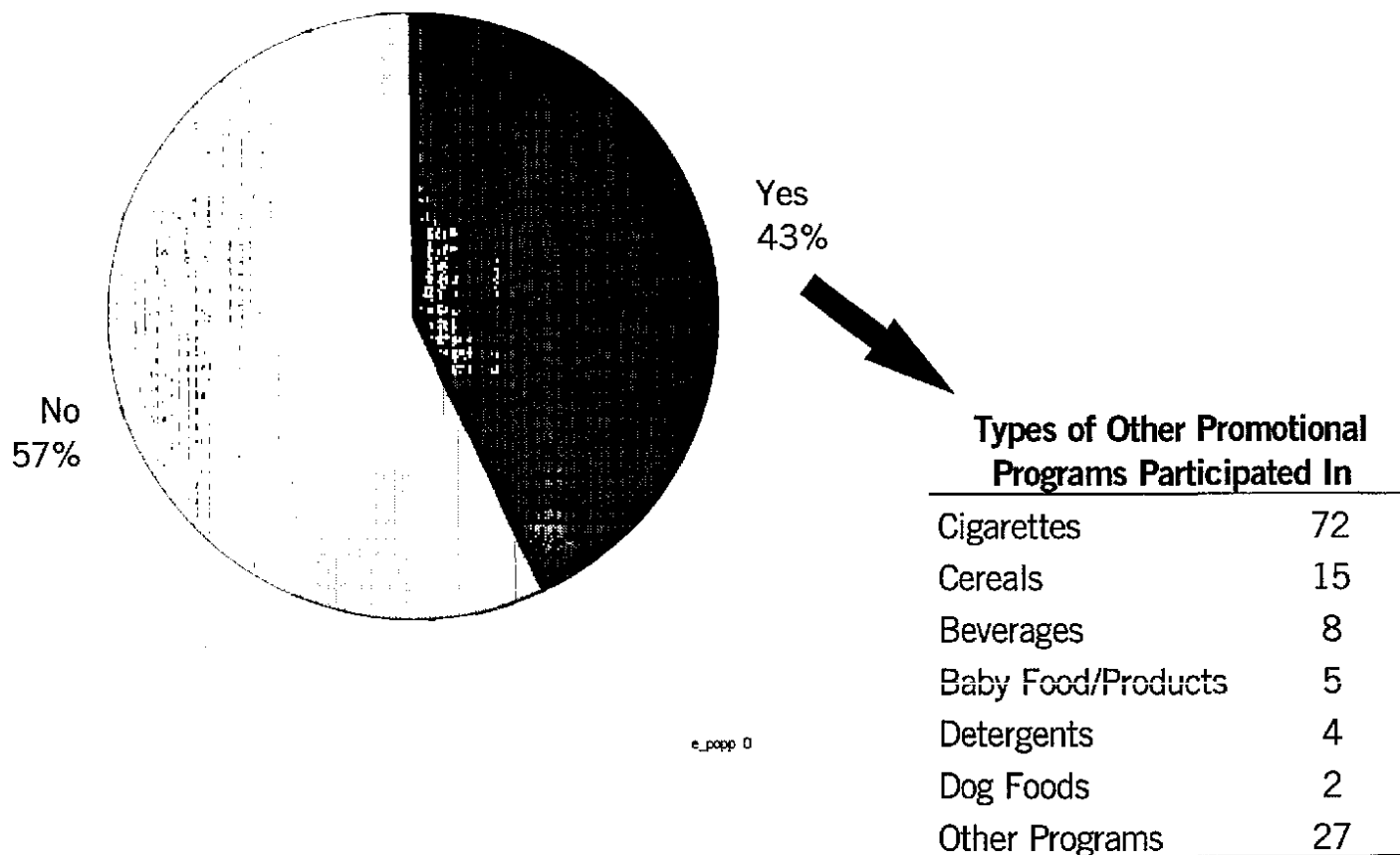
- The majority of redeemers who have participated in other promotional programs perceive the same Value or less from this program versus others.
- Other promotional programs consist mainly of other cigarette programs, as well as cereals.

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■ %Much Better/Lower □ %Somewhat Better/Lower

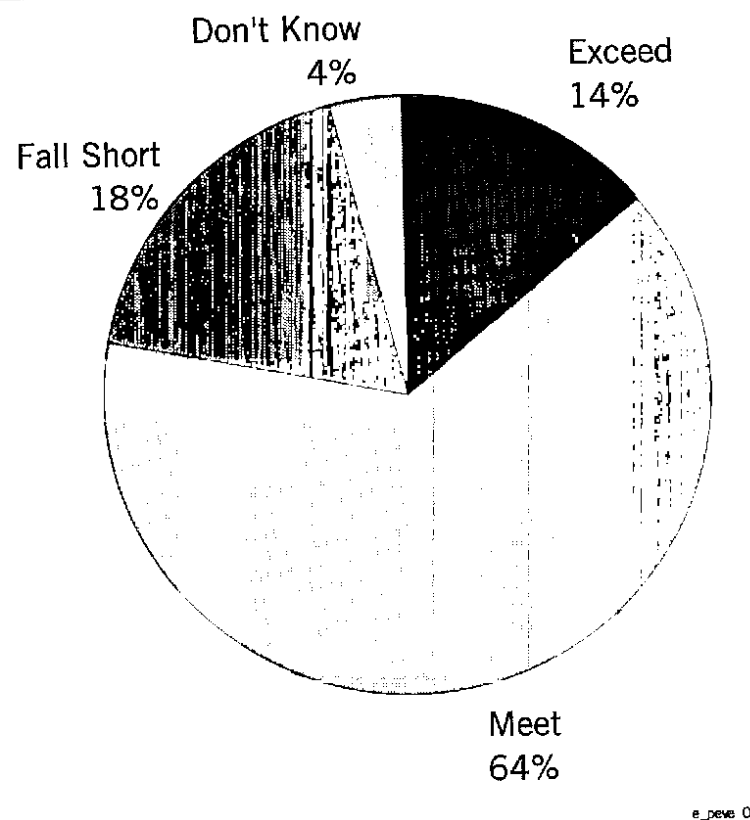
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Virginia Slims Participation in Other Promotional Programs



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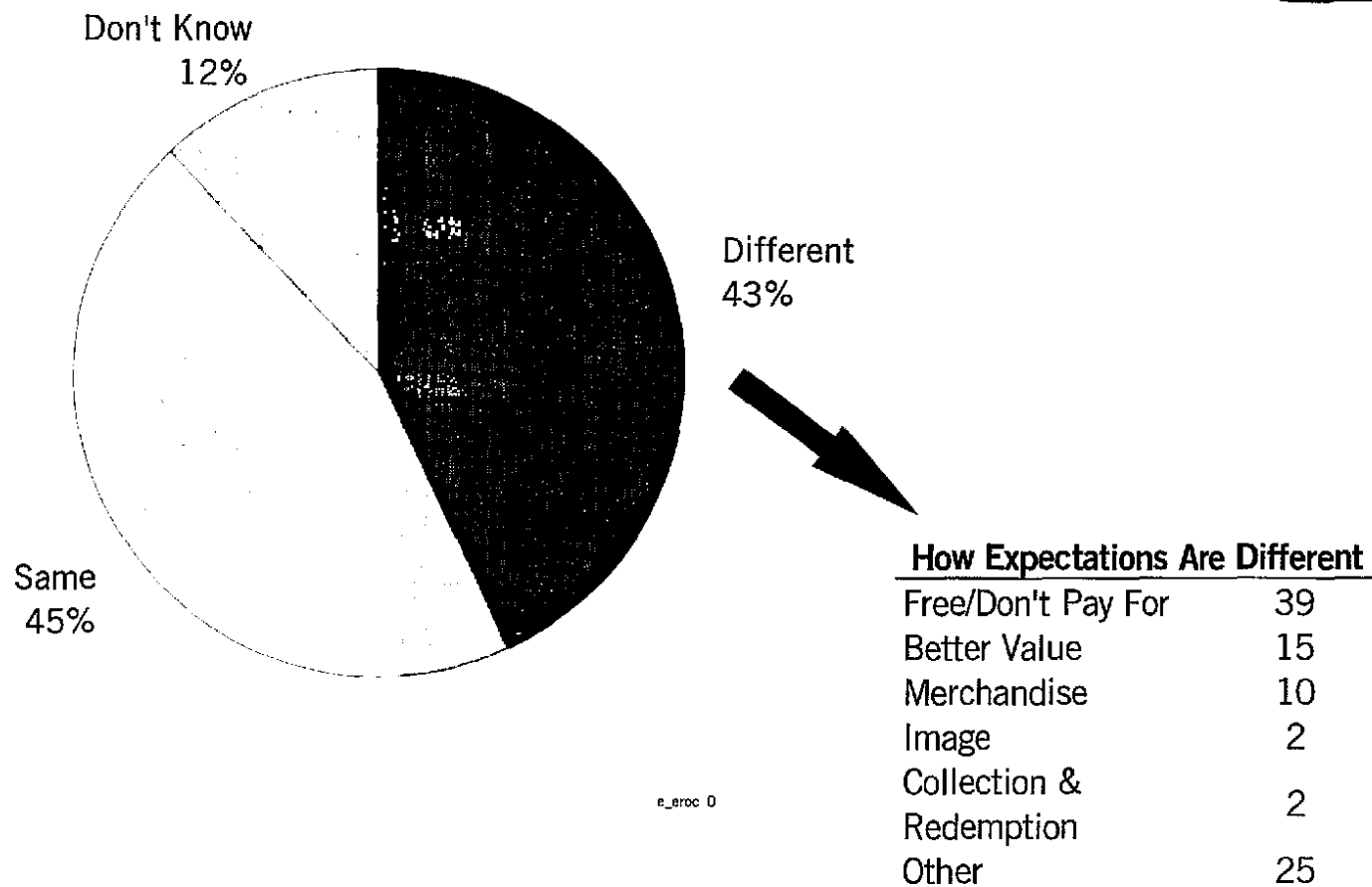
Virginia Slims Program Experience Versus Expectations



- Most redeemers find the Virginia Slims program meets or exceeds their expectations.
- However, many redeemers have different expectations relative to other catalogs.

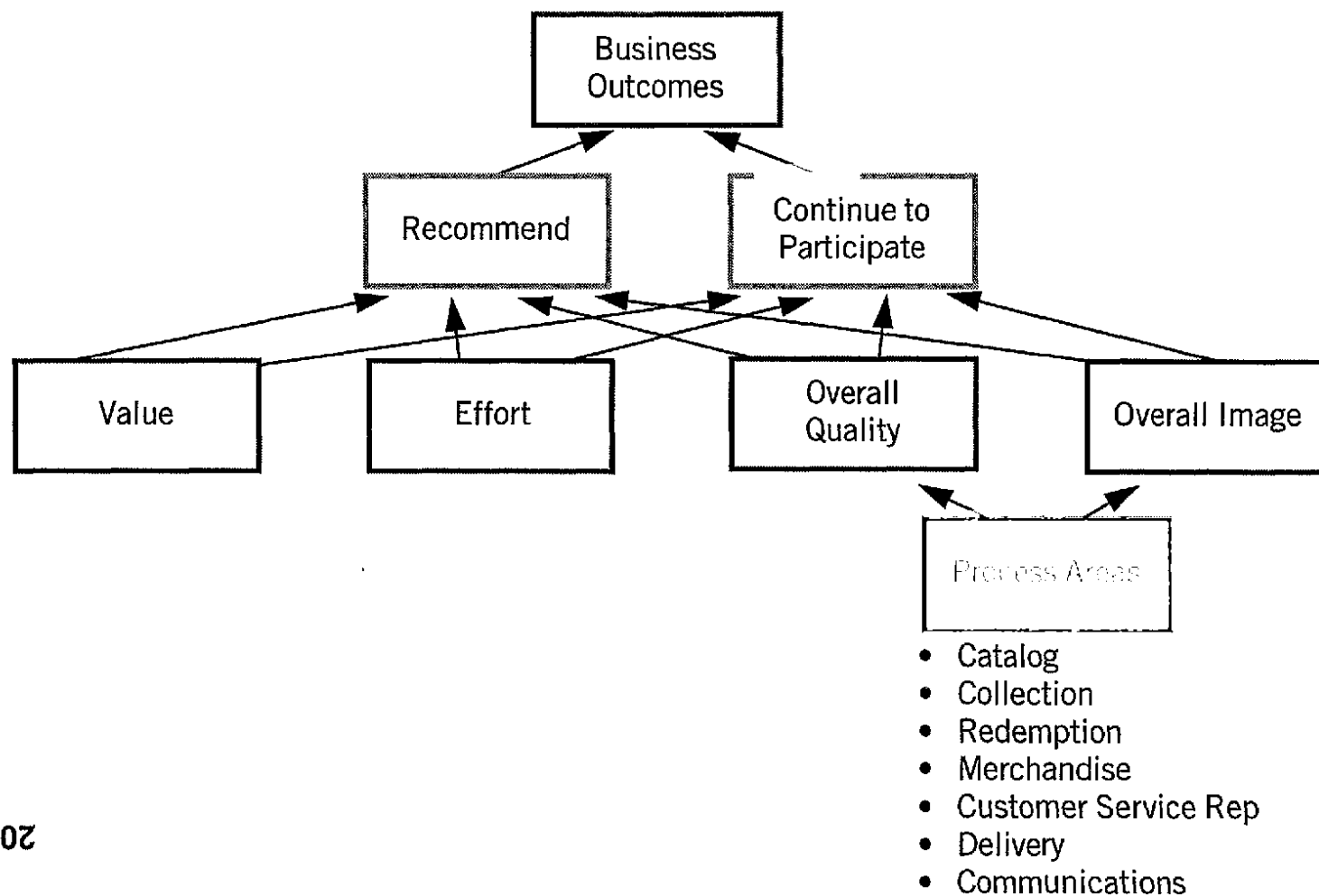
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Virginia Slims Expectations Relative to Other Catalogs



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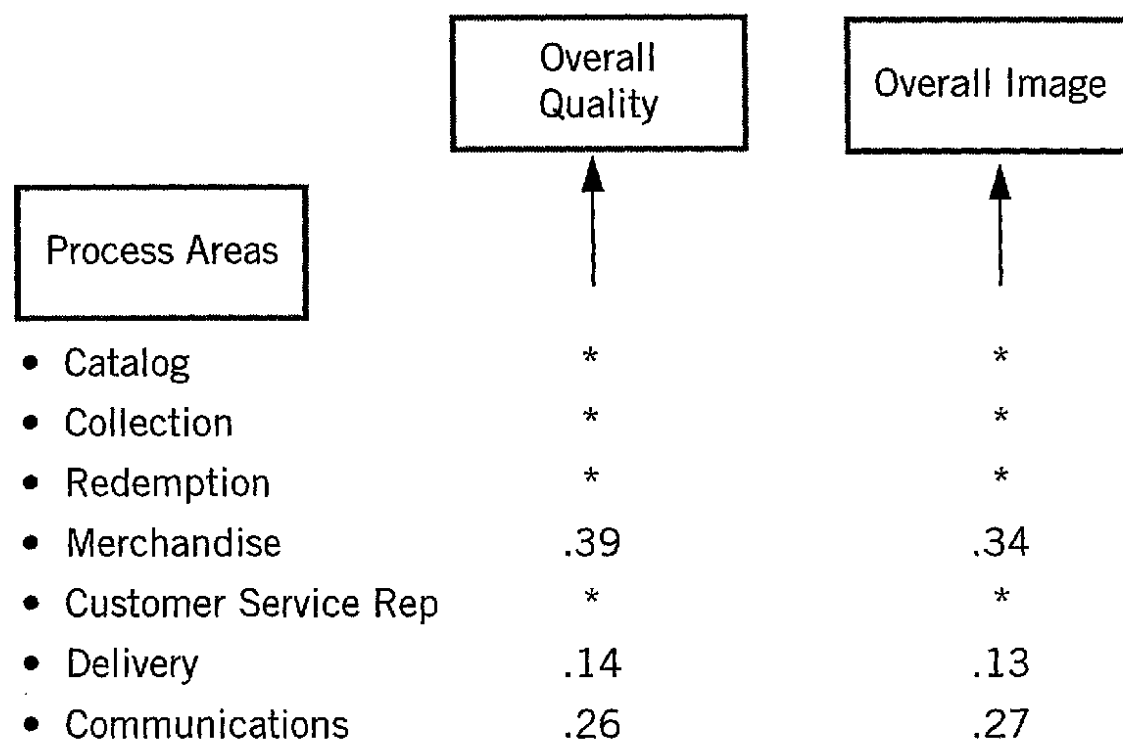
Virginia Slims Model of Redeemer Satisfaction Management



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Virginia Slims

Direct Effects – Process Areas and Attitudes



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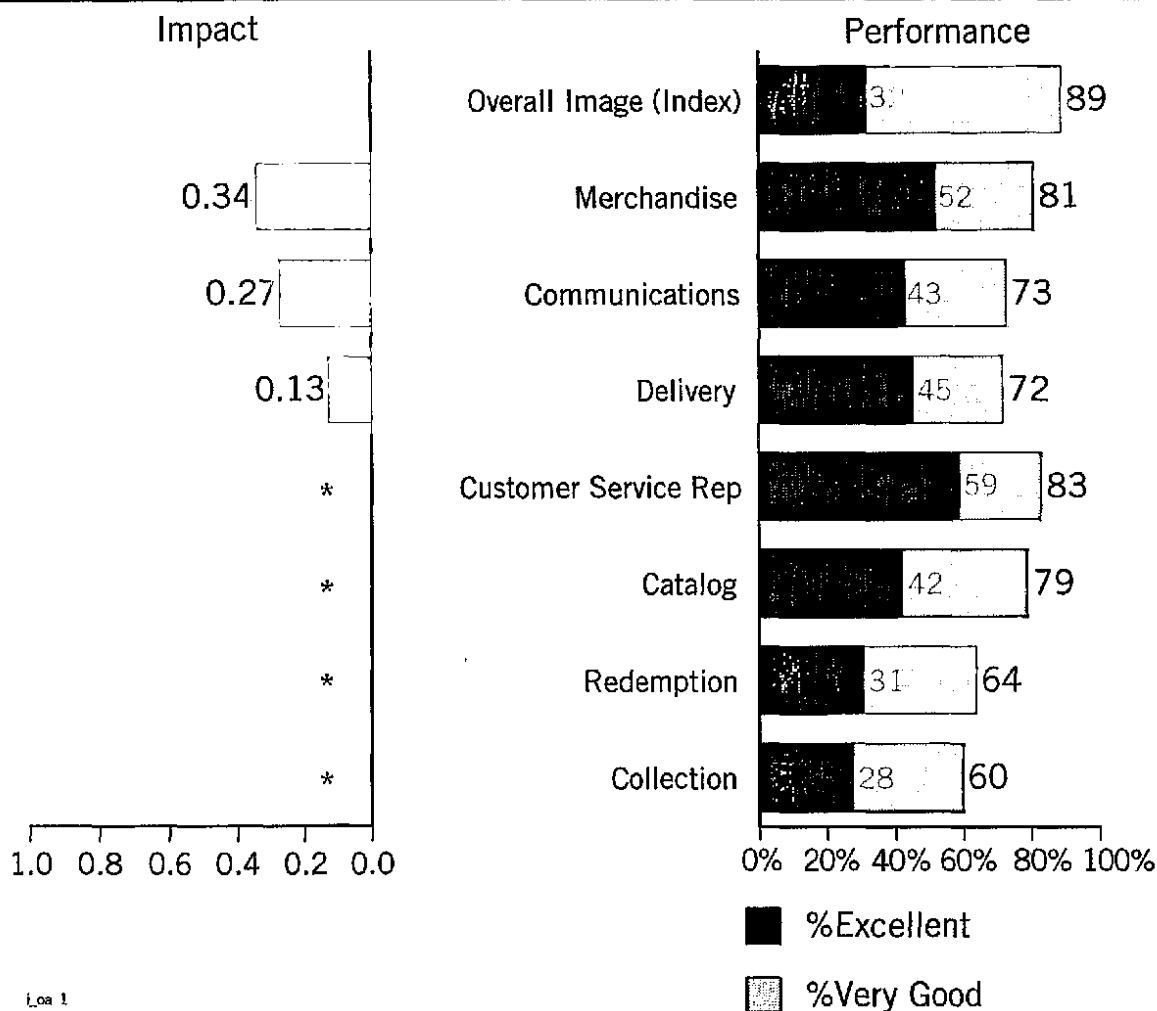
* Not statistically significant.

Virginia Slims Model of Redeemer Satisfaction Management

- Various aspects of redeemer experience and interaction directly impact overall perceptions of the Virginia Slims catalog program.
 - » Unlike other brand catalogs programs, Overall Quality and Overall Image are impacted by the same key drivers.
- Merchandise primarily drives both Overall Quality and Overall Image.
- Communications, followed by Delivery, also impacts both Overall Quality and Overall Image of the program.

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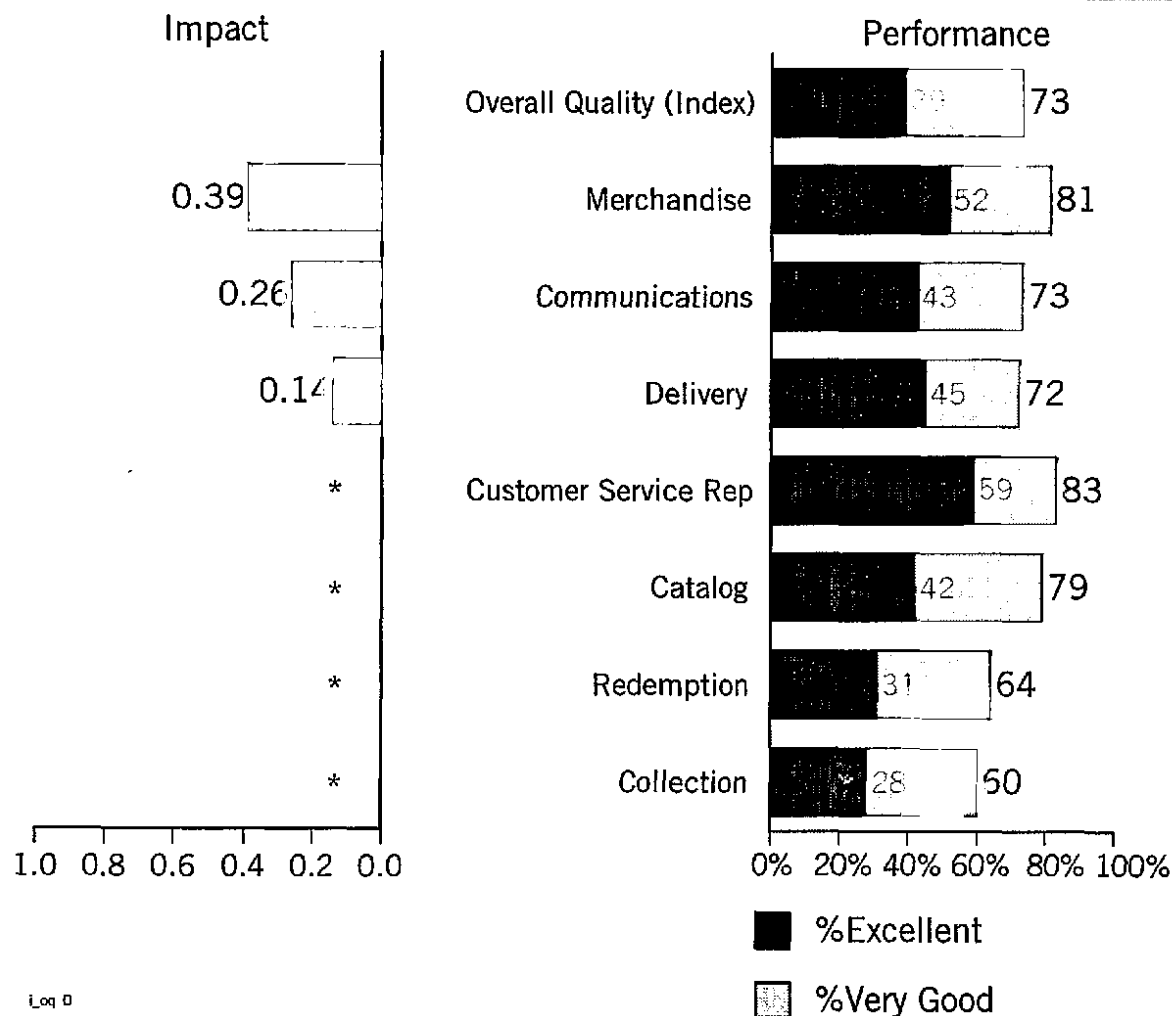
Virginia Slims Impact/Performance – Overall Image



- Merchandise, the primary driver of Overall Image, shows strong performance.
- Communications and Delivery, which also impact Overall Image, show slight room for improvement.

* Not statistically significant.

Virginia Slims Impact/Performance – Overall Quality



· Showing drivers identical to Overall Image, Overall Quality ratings are driven by strong Merchandise, as well as good Communications and Delivery.

* Not statistically significant.

Virginia Slims

Total Effects – Process Areas on Commitment

- Based on the model of CSM, process areas are directly related to both Overall Quality and Overall Image. However, total effects were calculated to link these process areas directly with Redeemer Commitment.
- Again, Merchandise, Communications, and Delivery are the primary drivers of future behavior; however, Collection and Catalog also influence Commitment.
 - » Although Merchandise performance is already fairly high, continued improvement in this area will have the most positive impact on future behavior.
 - » Communications, Delivery, and Catalog show room for slight improvement.
 - » Collection perceptions show much room for improvement.

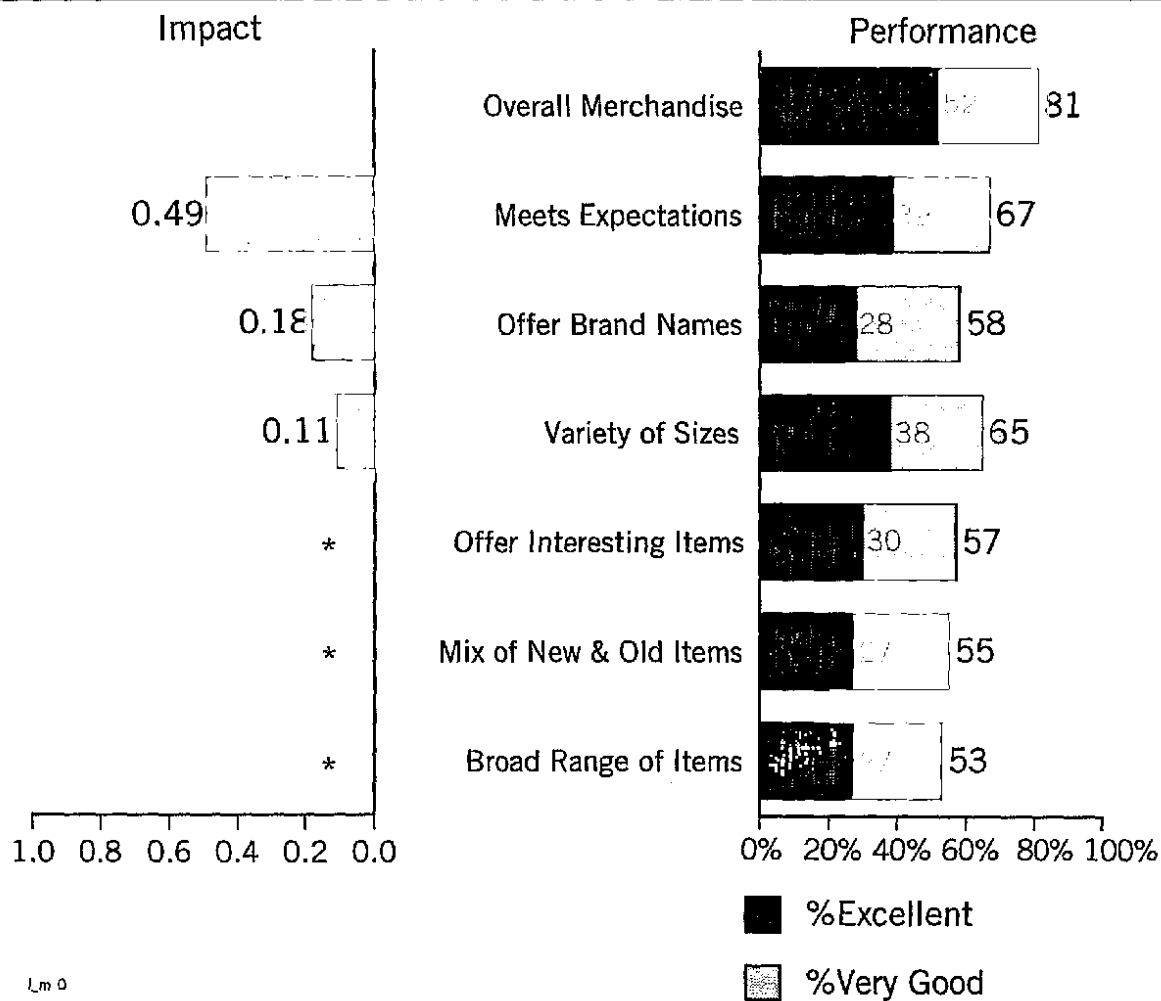
Virginia Slims

Total Effects – Process Areas on Commitment

| | Continue | Recommend |
|------------------|----------|-----------|
| Merchandise | 0.21 | 0.24 |
| Communications | 0.15 | 0.17 |
| Delivery | 0.08 | 0.09 |
| Collection | 0.06 | 0.07 |
| Catalog | 0.05 | 0.06 |
| Redemption | * | * |
| Customer Service | * | * |

*Non-significant

Virginia Slims Impact/Performance – Merchandise



Meeting expectations is the primary driver of Merchandise performance.

* Not statistically significant.

Virginia Slims Voice of the Customer – Merchandise

“I like the merchandise. The leather jacket I got last year was of very good quality, as well as the sweater set. It's all better than what I expected.”

“The quality of what they send is good but they need more choices. The stuff has Virginia Slims all over it and I don't like that. I don't want to look like a walking advertisement. Like everything else I got, it's great quality. I like the material of the T-shirt. You can tell cheap quality. The cheap quality is thin. This T-shirt is thick. The colors were very bright. It does not look like it will fade.”

“Different selection, more of a selection. More items to choose from. You need more things for men.”

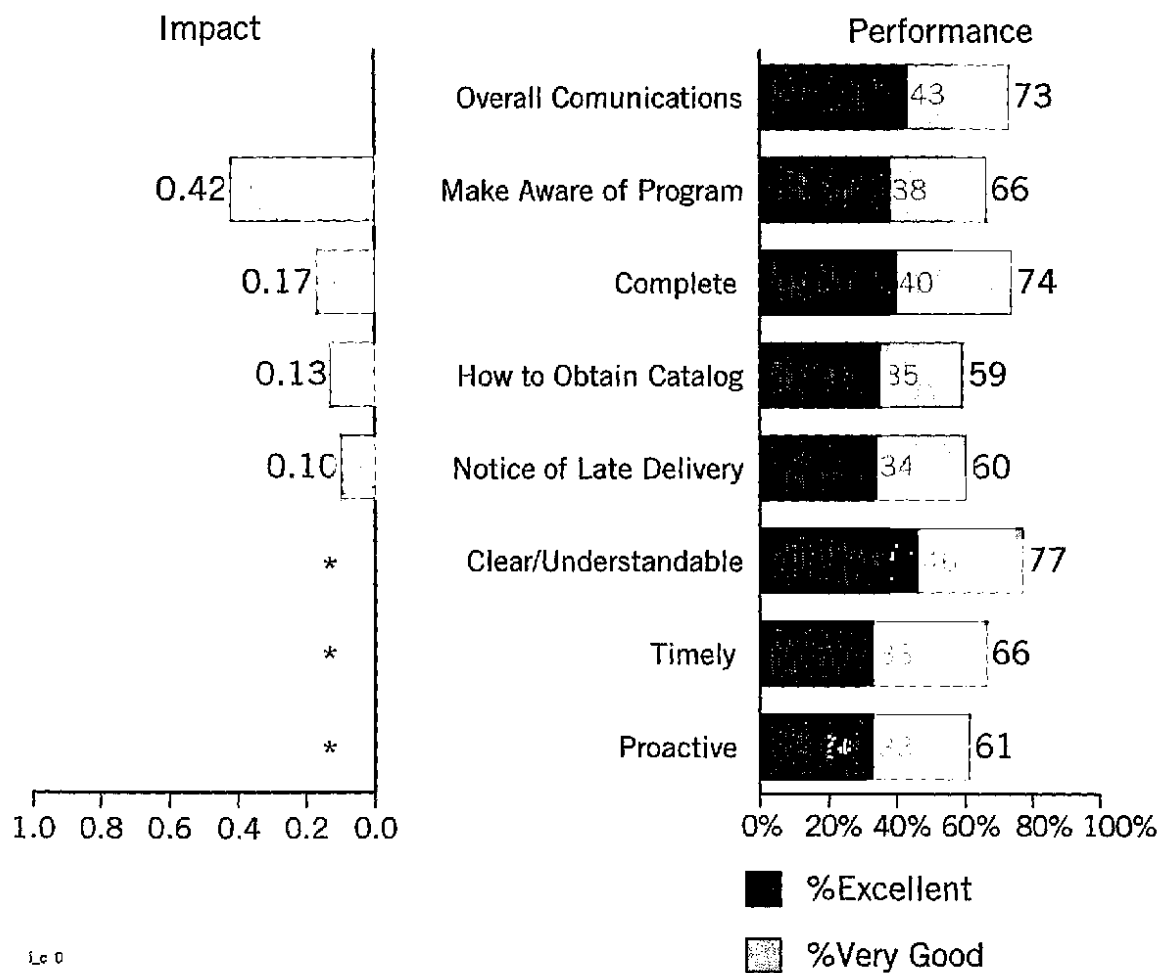
Virginia Slims

Voice of the Customer – Merchandise (cont'd)

“Maybe making the bigger clothing items geared towards the mature woman. Most of the clothing is geared towards the younger woman. They need to gear it towards the mature woman, offering a little more of the casual clothing. Some of the things are too dramatic in styling. Some of the clothing is dramatic rather than leisure-style clothing, such as evening wear and a leopard coat. They should have more clothing such as sweatshirts and leggings.”

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Virginia Slims Impact/Performance – Communications



Communications performance is most strongly impacted by building awareness of the Virginia Slims program.

* Not statistically significant.

Virginia Slims

Voice of the Customer – Communications

“Keeping customers up-to-date on how the order is going. If it is going to take eight weeks to get here, let us know. Customer service was very poor.”

“Advertise more so more people will know about what’s available.”

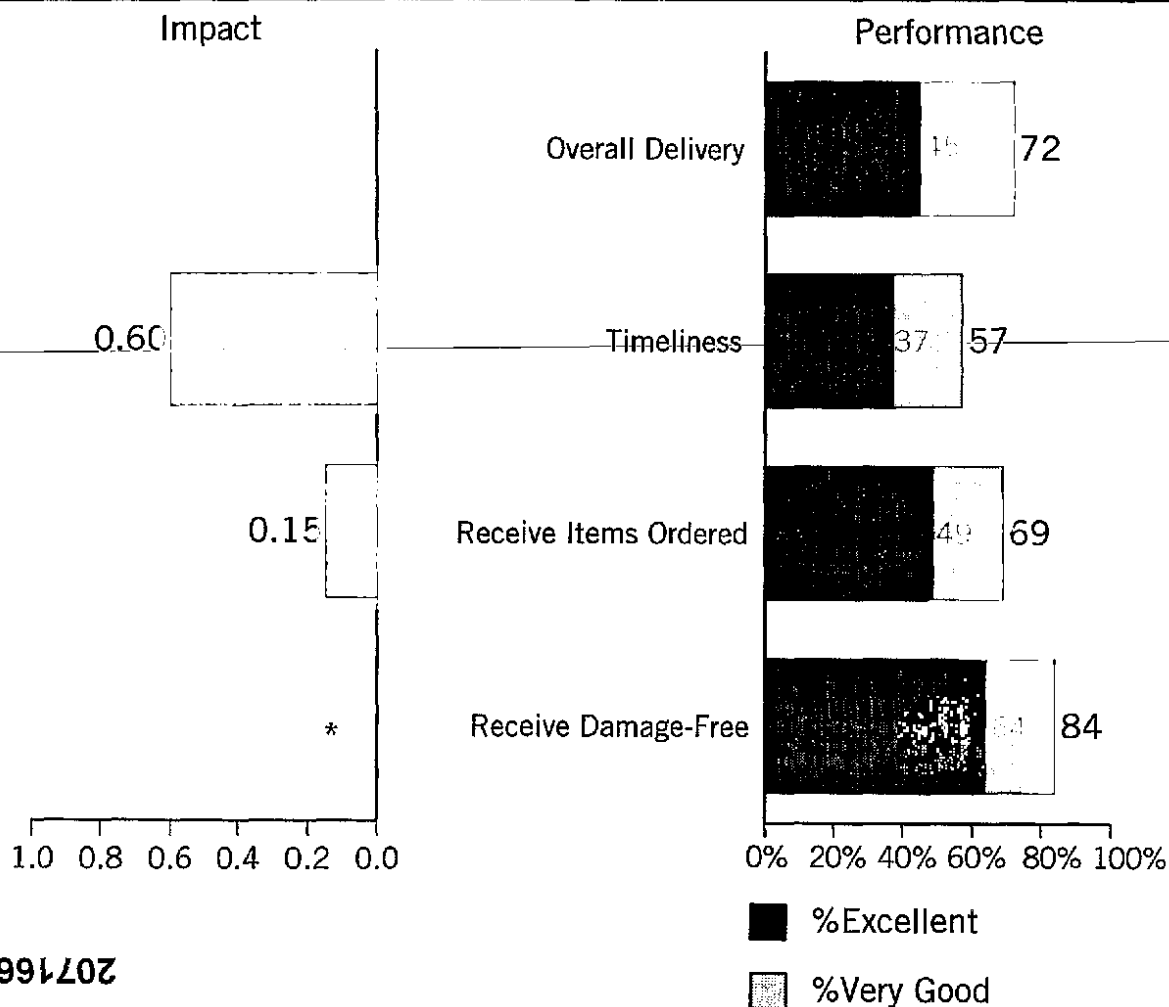
“They need to have the catalogs in the stores where cigarettes are sold, like the Marlboro miles. I never get any coupons for money off on cartons like some of the other brands do.”

“If they run out of an item you ordered, send you a notice before they send a substitute because if I would have wanted the substitute item, I’d have sent for it.”

“Notify if an order is late or on back order. I don’t mind waiting if I know.”

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Virginia Slims Impact/Performance – Delivery



- Timeliness largely influences overall perceptions of Delivery.
- Just under half of redeemers receive merchandise within 4 weeks, while three-fourths receive within 8 weeks.

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* Not statistically significant.

Virginia Slims

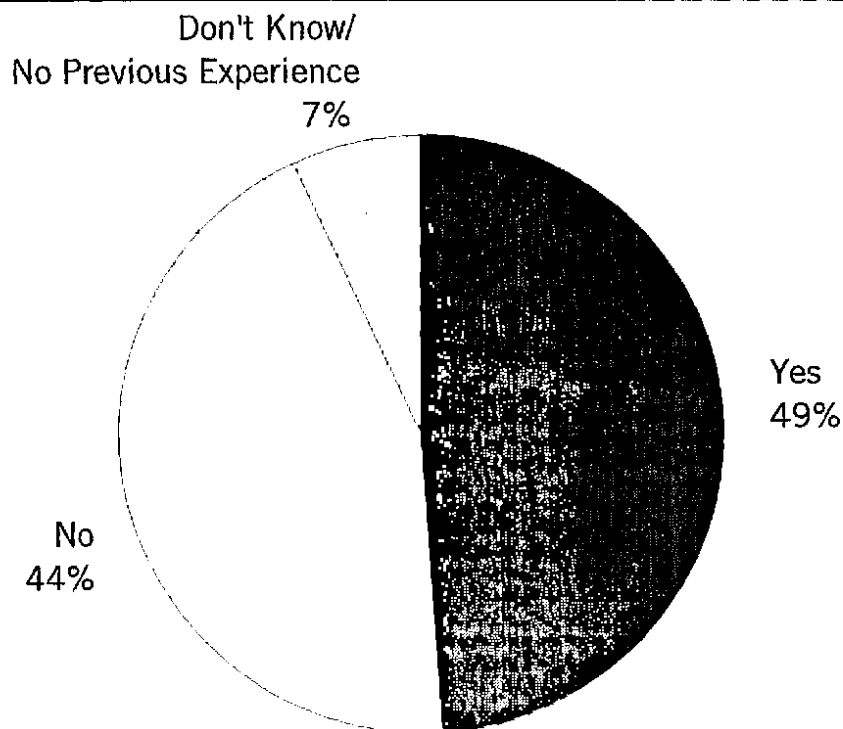
Delivery Time/Number of Shipments for Last Order

| Order Received Within | Virginia Slims | Marlboro (June 1995) |
|------------------------------|----------------|-------------------------|
| 1-3 weeks | 27 | 10 |
| 4 weeks | 16 | 15 |
| 4 weeks or less (net) | 43 | 26 |
| 5-8 weeks | 32 | 40 |
| 8 weeks or less (net) | 75 | 66 |
| 9-12 weeks | 10 | 14 |
| Over 12 weeks | 2 | 9 |
| Not received yet/Don't know | 13 | 12 |

| # of Shipments | Virginia Slims | Marlboro (June 1995) |
|-----------------------------|----------------|-------------------------|
| One shipment | 42 | 37 |
| Two shipments | 51 | 59 |
| Not received yet/Don't know | 7 | 4 |

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Virginia Slims Improvement Over Last Order?

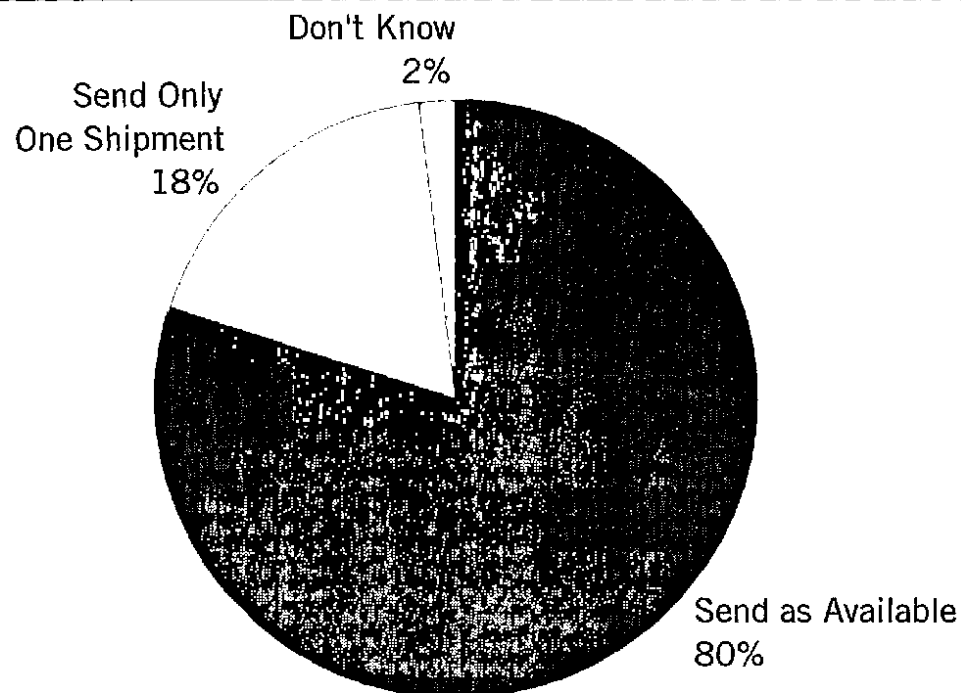


· Delivery time has improved for about one-half of redeemers since the last order.

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Virginia Slims Preference for Back Orders

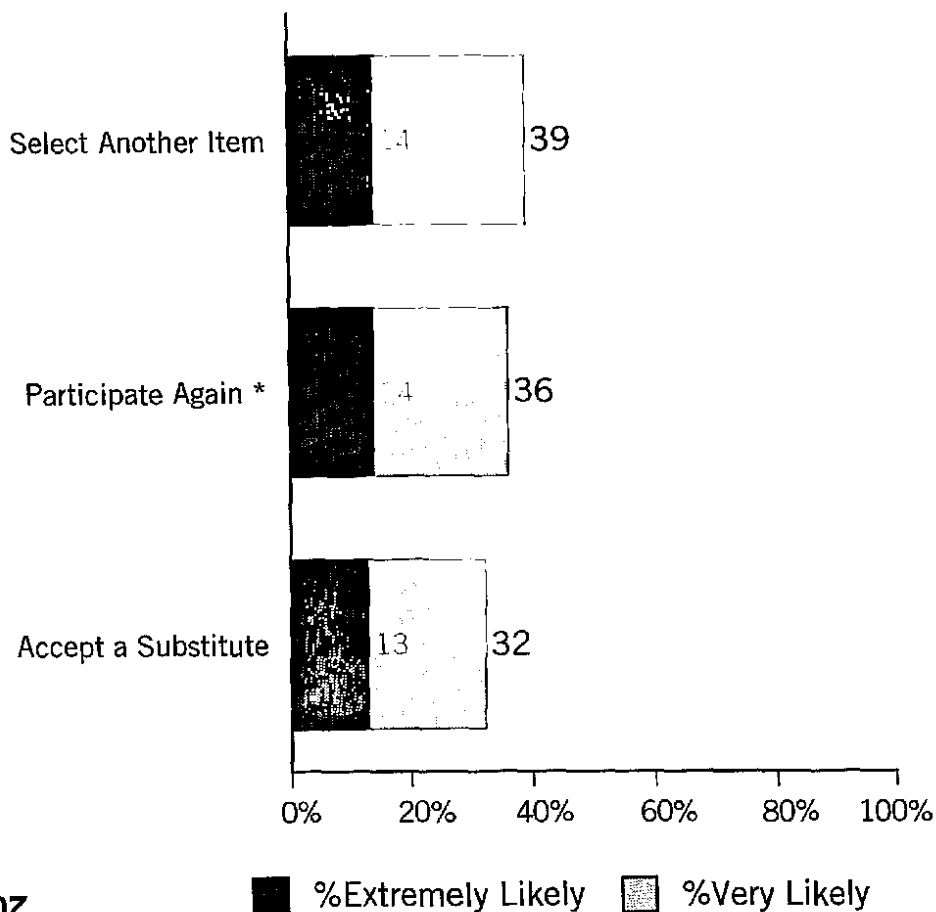


- Redeemers generally prefer for merchandise to be sent as it is available, with back-ordered items sent later in additional shipments.

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Virginia Slims Behavior Outcomes for Back-Order Situations



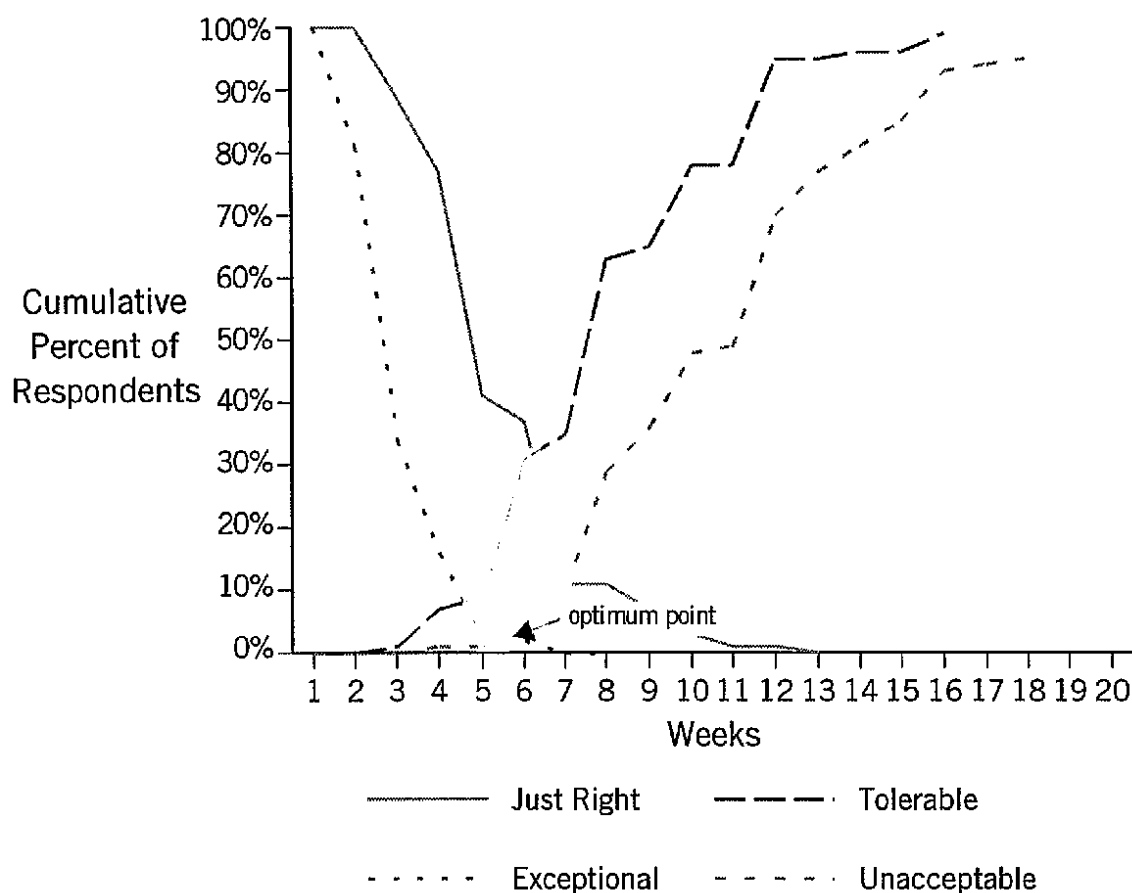
· Upon encountering back-order situations, redeemers do not indicate high intentions to accept other items or participate again.

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* Based on possibly receiving a substitute item.

Virginia Slims Time Sensitivity – Delivery



- Optimum delivery time is just over 5 weeks, according to redeemer expectations.
- However, 4½ weeks to 7 weeks is within the acceptable range of delivery time.

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Virginia Slims

Voice of the Customer – Delivery

“It takes too long to get things. It never takes the eight to ten weeks they say it will. It always takes longer...”

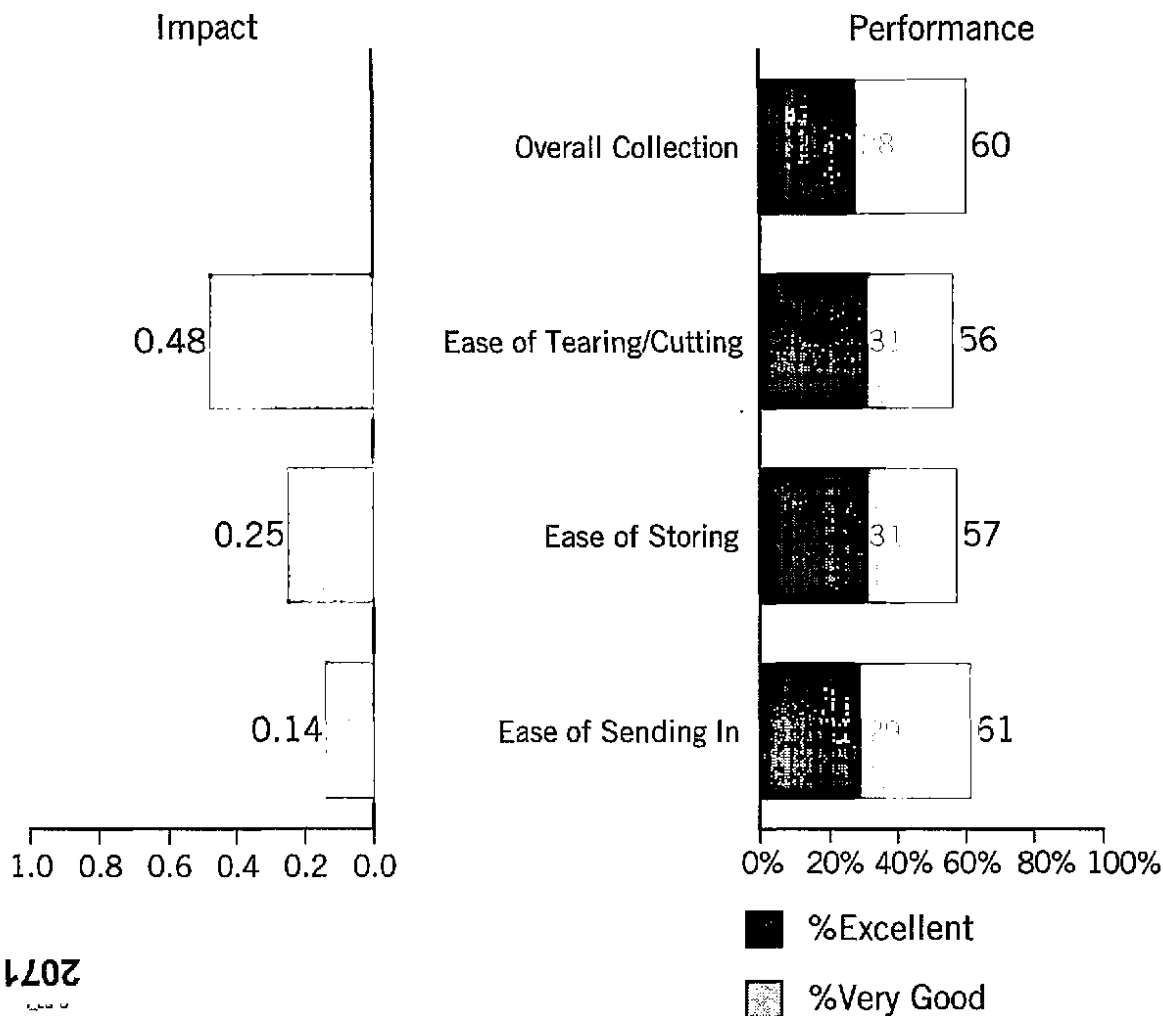
“Anything I order comes quick. It didn’t take four to six weeks. It took about three.”

“I have placed several orders, and I was very disappointed. It takes a long time to get the stuff, and then they substitute them with items I’m not interested in. I’m still waiting for several things.”

“When I order something, it comes right away, within two to four weeks.”

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Virginia Slims Impact/Performance – Collection of UPC's



- Ease of tearing/cutting UPC's is the main driver of redeemers' overall perceptions of the Collection process.
- Ease of storing also highly impacts Collection.

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Virginia Slims
Voice of the Customer – Collection of UPC's

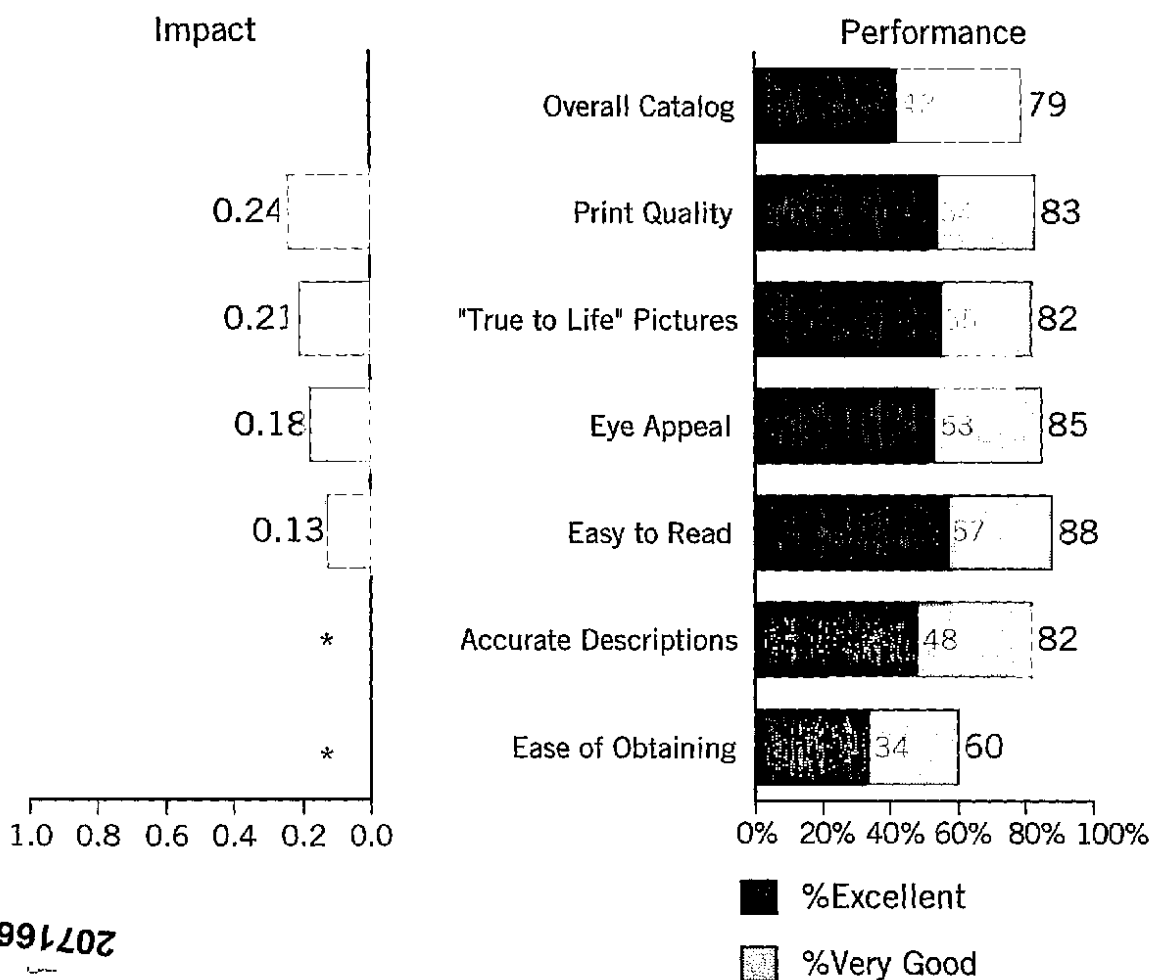
“It's very easy to save the UPC's and mail them in.”

“I like the idea of collecting the points and getting something for them.”

“If we could use carton UPC's, that would be nice.”

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Virginia Slims Impact/Performance – Catalog



Ratings of the Virginia Slims Catalog are influenced mainly by print quality, followed by "true to life" pictures.

* Not statistically significant.

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Virginia Slims Voice of the Customer – Catalog

“It because I’m really happy with everything, packaging, merchandise, and the catalogs. I love their catalogs. They’re great. The merchandise is great.”

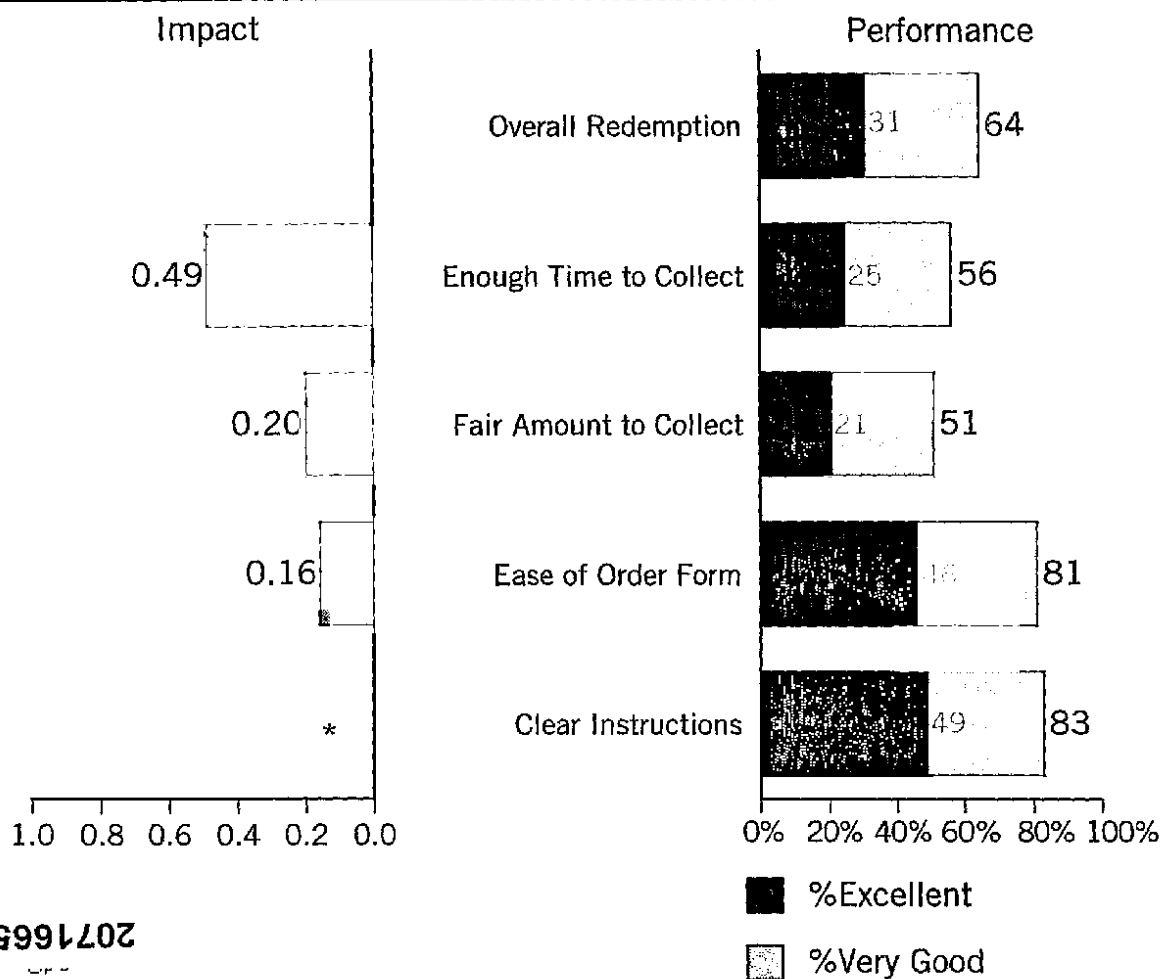
“They make them look good, the advertising.”

“When I send away for things, I always get it right away. One time I got a discount catalog. Send more sale catalogs.”

“Just put catalogs on display or make them easier to find. Advertise the catalogs.”

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Virginia Slims Impact/Performance – Redemption Process

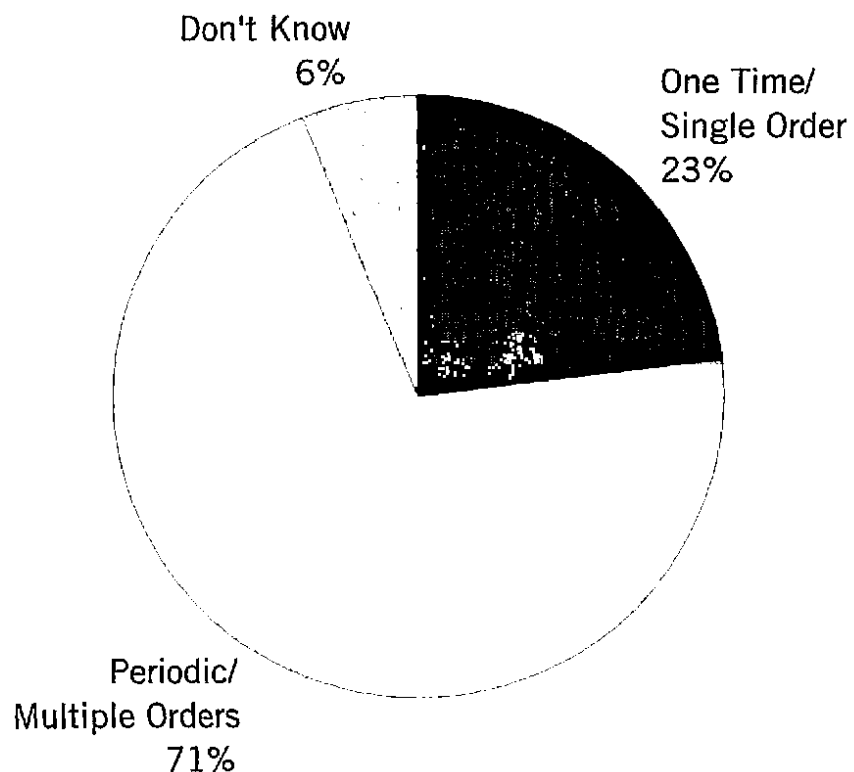


• Redeemer perceptions of the Redemption process are driven primarily by having enough time to collect UPC's.

* Not statistically significant.

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Virginia Slims One-Time Versus Periodic Redemption



- Redeemers mainly send in periodic orders during the program, rather than redeeming all at once.

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Virginia Slims Voice of the Customer – Redemption Process

“A lot of times you cannot go out to shop for it. I like the idea of sending in UPC's and only paying shipping and handling charges.”

“By the time I collected enough UPC's for an item I wanted and sent them to Virginia Slims, they sent them back to me because the address was closed.”

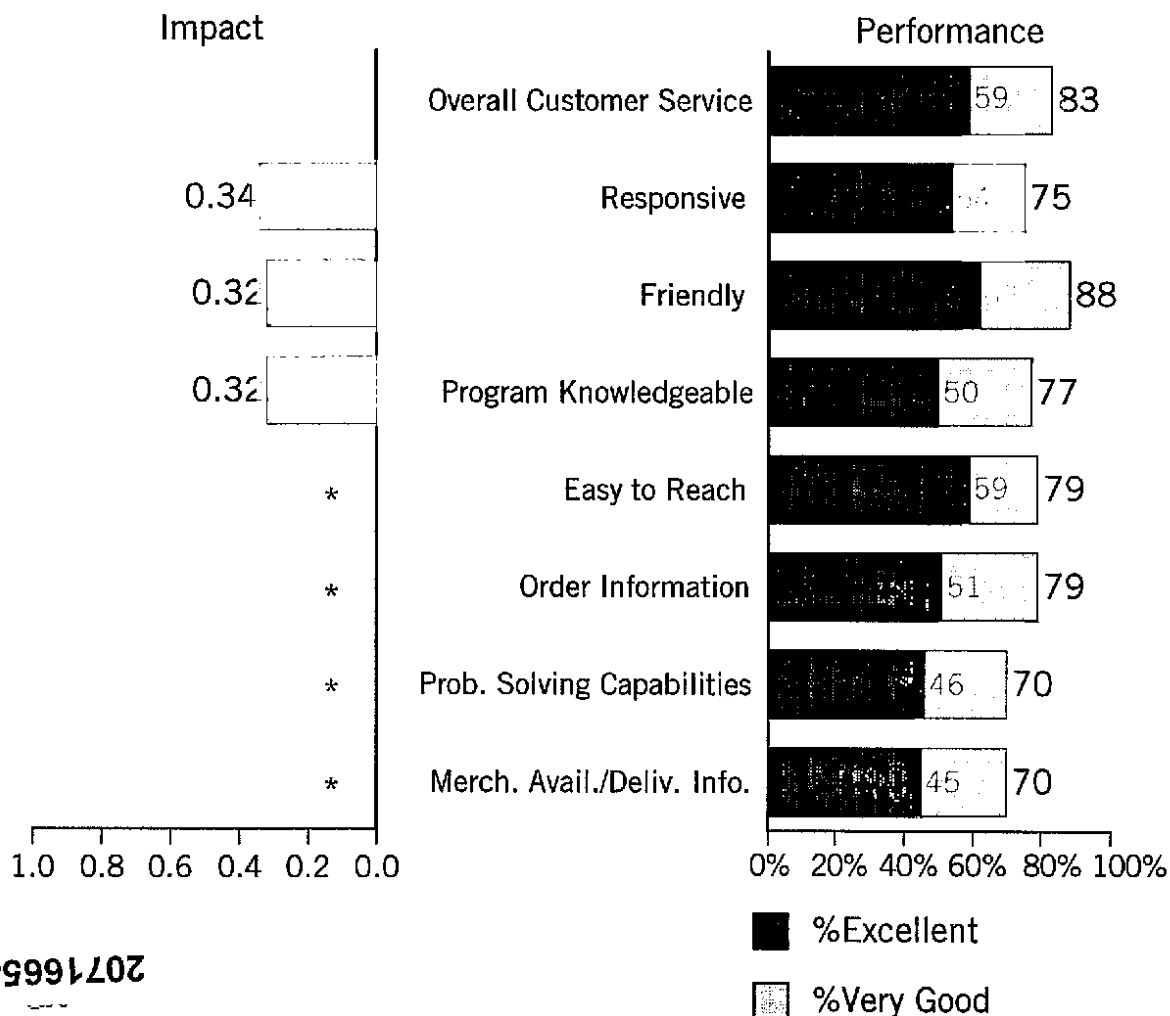
“The shipping and handling charges should be lowered. The number of UPC labels requested should be lowered.”

“Keep the programs running longer, maybe an extra six months.”

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Virginia Slims

Impact/Performance – Customer Service Representative



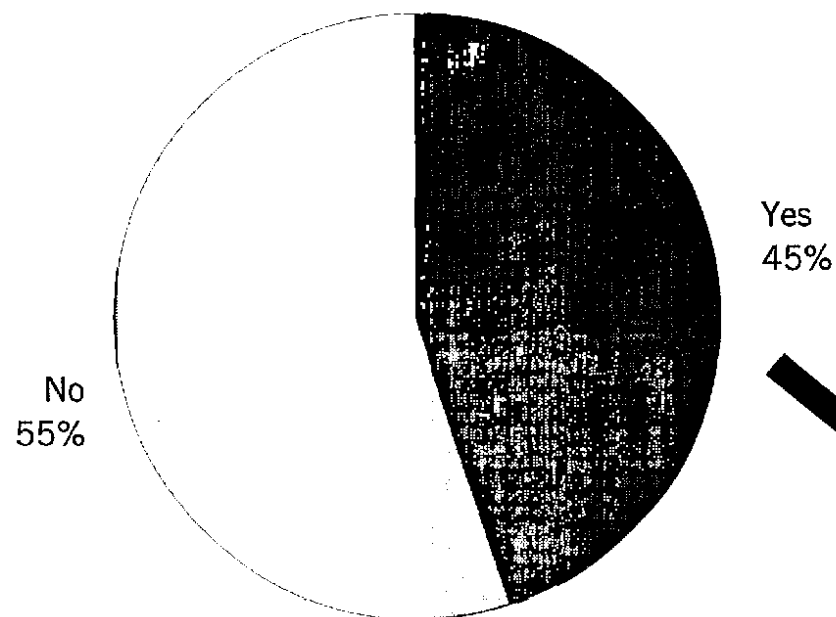
• Key drivers of Customer Service Representative performance are responsiveness, friendliness, and program knowledge.

• Redeemers use this service largely to check orders and obtain catalogs.

* Not statistically significant.

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Virginia Slims Usage of 1-800# Past Year

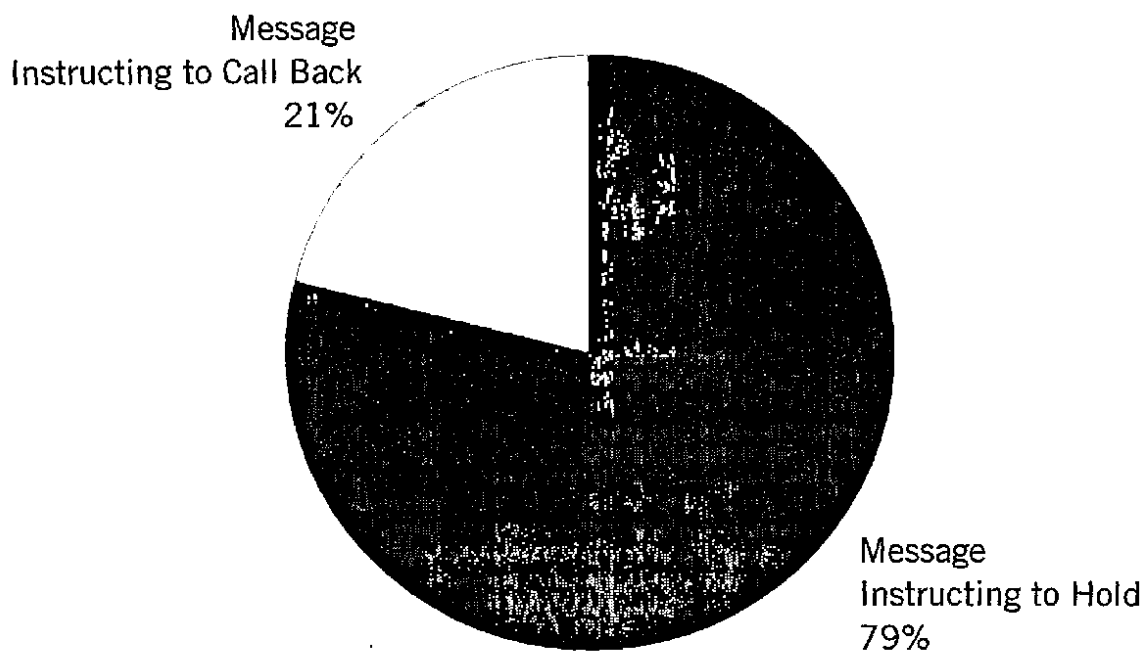


| Primary Reason for Call | |
|-------------------------|----|
| Checking on order | 42 |
| Requesting catalog | 36 |
| Merchandise | 7 |
| return/exchange | 4 |
| General questions | 10 |
| Other | 10 |

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Virginia Slims

Preference When Cannot Reach "Live" Customer Service Rep



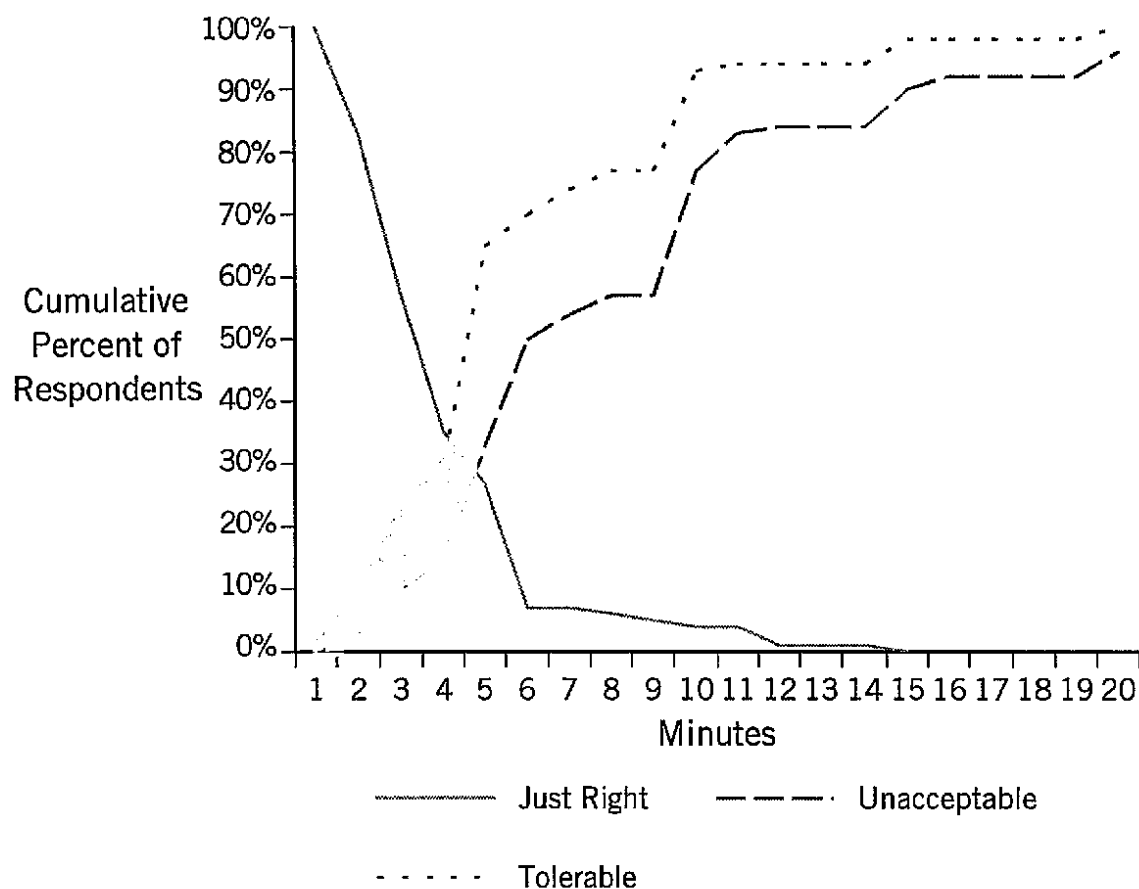
· Redeemers prefer to hold for a representative rather than being instructed to call back.

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Virginia Slims

Time Sensitivity – Waiting for Customer Service Rep



- Waiting for a redeemer representative for just under 5 minutes is within the range of acceptability, based on redeemer expectations.

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Virginia Slims

Voice of the Customer – Customer Service Representatives

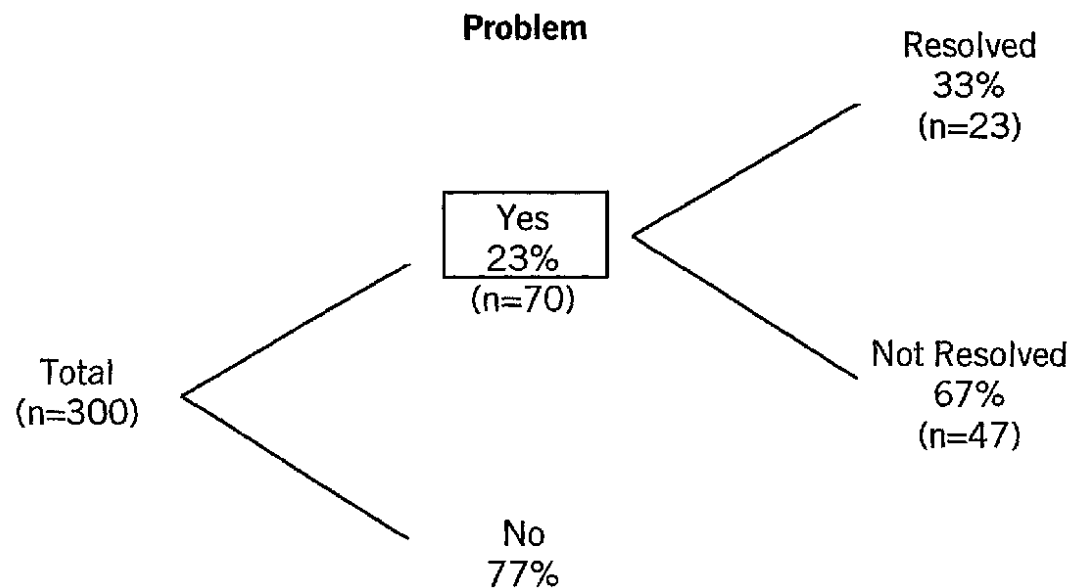
“They’re prompt with delivery. They seem to be prompt with follow-up customer service.”

“They ran out of what I ordered one time. I kept calling and calling, and they finally said the item was no longer available, so I said send me back my money and UPC’s. They did, but I had to keep calling them.”

“People were very rude with me. They were very short with me. I don’t feel I was completely satisfied after I got off phone. I don’t feel I received the answers I needed.”

2071665427

Virginia Slims Problems Experienced



Problem Impact on Continued Participation:

| | No Problem | Problem Resolved | Problem Not Resolved |
|---------------------------------------|------------|------------------|----------------------|
| 2071665428 %Extremely/ Very Likely | 93% | 86% | 80% |

Virginia Slims

Voice of the Customer – Problems Experienced

• Delivery, merchandise and communication related problems were most common.

“Late delivery. My last order was sent out four months ago, and I’ve not received it yet, and I’ve received substitute items that I was not happy with. If you are going to substitute something, it should be substituted with something better or worth more.”

“I had ordered two heart-shaped lighters two years ago. I never heard anything, so I called, and they kept telling me to call back in 30 days and again in 30 days. It took me six months in doing this to find out that they were going to credit me for not receiving the lighters. They finally did credit me but only for one lighter. I never received credit for the second lighter I ordered.”

“I ordered a coat in August. It’s going on 10 weeks, and I still haven’t received it. It’s a black wool coat with raspberry lining.”

2071665429

Virginia Slims

Voice of the Customer – Problems Experienced (cont'd)

“They substituted the stuff I ordered with totally unacceptable merchandise. I’m not interested in any of the things they sent in place of my order, and I’m still waiting on the last of my order.”

“I got a notice with my items, and my shipment was split up, and I never received my sunglasses, and they said they would send me a refund and coupons since April, and they never contacted me.”

2071665430

Virginia Slims

Voice of the Customer – Closing Suggestions

“Just have more items to choose from. Make the catalog more readily available.”

“Better contact with the vendor to find out how the items are going to be shipped. Any item that should be shipped fragile, like clothes, be more careful with it. If it's not done correctly, it reflects on Virginia Slims.”

“Better coupon offers. If they're going to send it out, make it worthwhile. Their sizes in the catalog are a tad bit off. Make sure they really do fit. An extra large should not be tight.”

“Fair I would like to see them improve their special promotions. Just make the public more aware of a special promotion. Also, shorten the delivery times. I think three weeks would be good.”

2071665431

Virginia Slims

Voice of the Customer – Closing Suggestions (cont'd)

“A little more advertising. It's hard to get hold of a catalog.”

“Make sure the person receives what they order.”

“I would think product availability. Nearly everything I have ordered does get on back order.”

“They need to give us a longer time to collect the UPC's.”

“I'd like to be able to collect the carton UPC's instead of having to cut out all the individual ones.”

2071665432

Virginia Slims

Key Findings and Implications

- Virginia Slims redeemers are highly likely to continue participating in the catalog program. In fact, intended future participation is very similar to Marlboro. Future objectives should focus on maintaining this high commitment and further enhancing Commitment through increased recommendation.
- Rewarding loyal redeemers, ease of participating, and the quality and image of the merchandise offered are strengths of the Virginia Slims program.
- Virginia Slims catalog performance, relative to Marlboro, is fairly strong, although Marlboro shows slightly higher levels of overall opinion, value, images (uniqueness), merchandise, and communications.

2071665433

Virginia Slims

Key Findings and Implications (cont'd)

- Concentrate Virginia Slims catalog efforts on maintaining/improving program areas which have the greatest effect on commitment behavior.
 - » merchandise
 - » communication
 - » delivery
 - » collection
 - » catalog

2071665434

Virginia Slims Action Priorities

Maintain:

Merchandise

Catalog

Focus On:

Identify and meet
redeemer expectations

Print quality and
"true to life" pictures

Will Improve:

Overall Quality/Overall Image

↓
Commitment

Improve:

Communication

Delivery

Collection

Build program awareness

Manage back orders
Delivery within 7 weeks

Ease of collection and
storing within allotted time

MERT

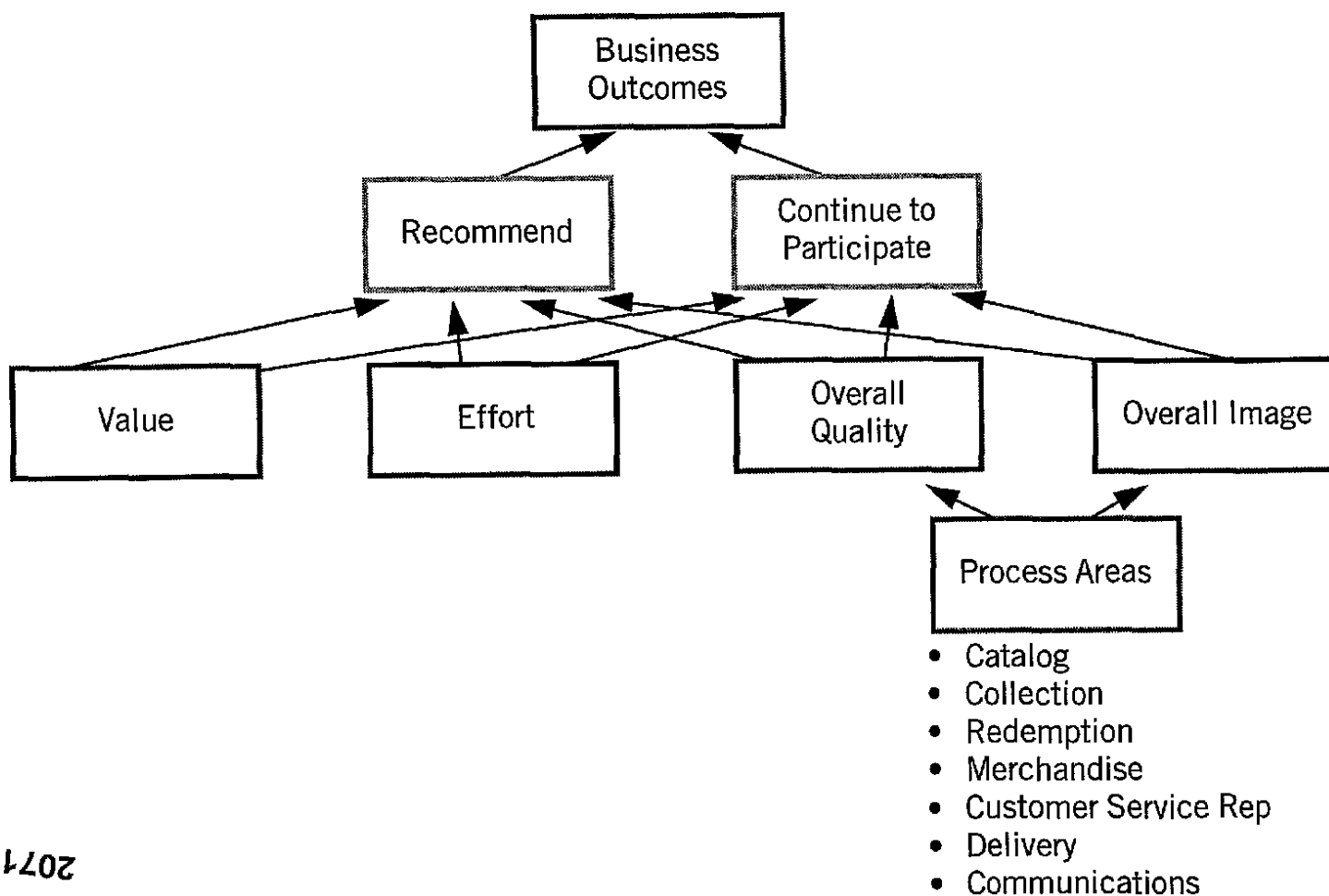
2071665436

MERIT

2071665437

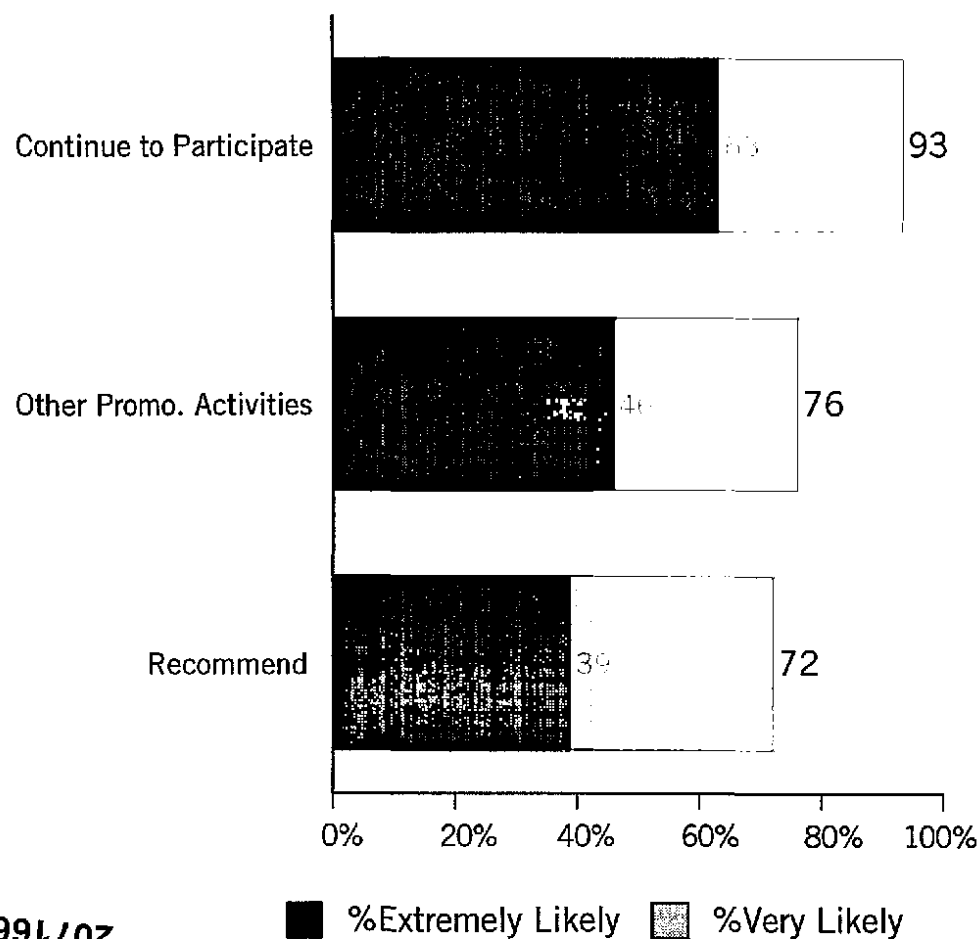
Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Merit
Model of Redeemer Satisfaction Management



2071665438

Merit Redeemer Commitment



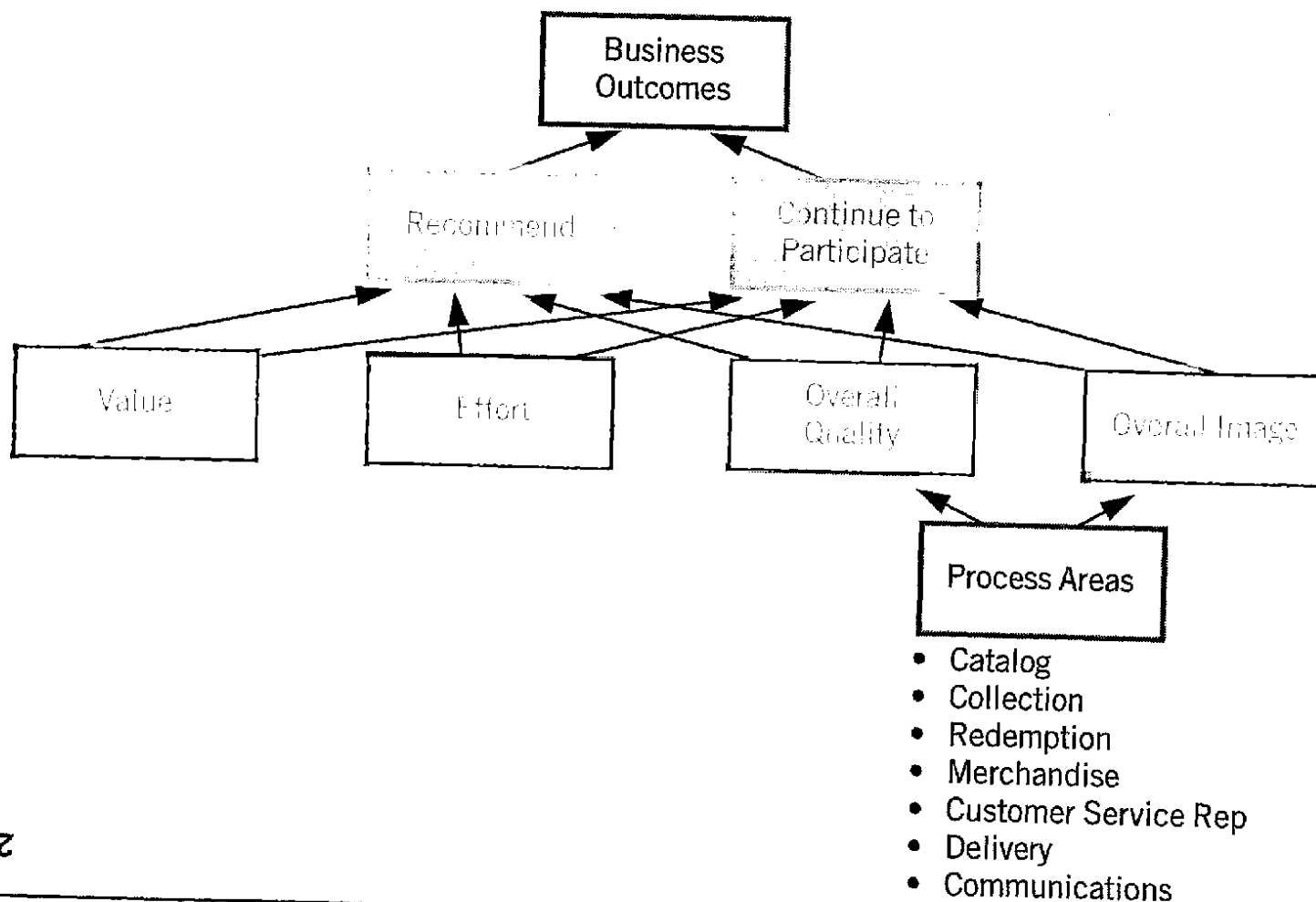
- Merit catalog redeemers are highly likely to Continue to Participate in the program.
- Behavior intentions to Recommend the program to others are less positive.

2071665439

p. cc 0

Merit

Model of Redeemer Satisfaction Management



2071665440

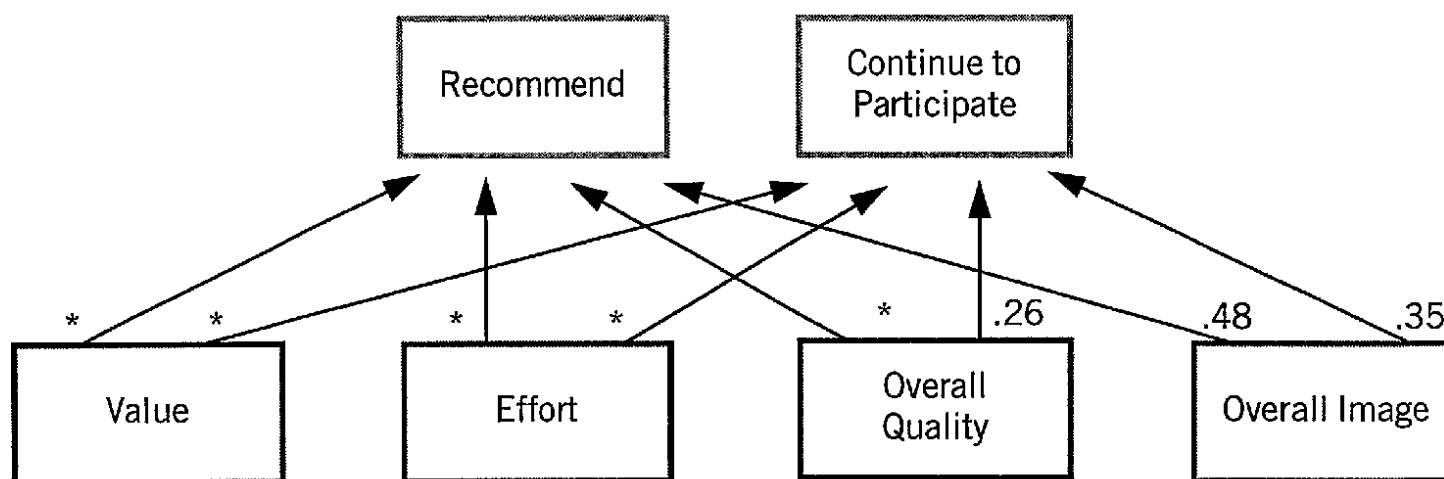
Merit

Model of Redeemer Satisfaction Management

- Measures of Commitment, namely Recommend and Continue to Participate, are most strongly driven by Overall Image of the Merit catalog program.
- Continued participation is also driven to a lesser extent by Overall Quality of the program.
- Perceived Value and Effort of the catalog program are not significantly related to future behavior intentions.

2071665441

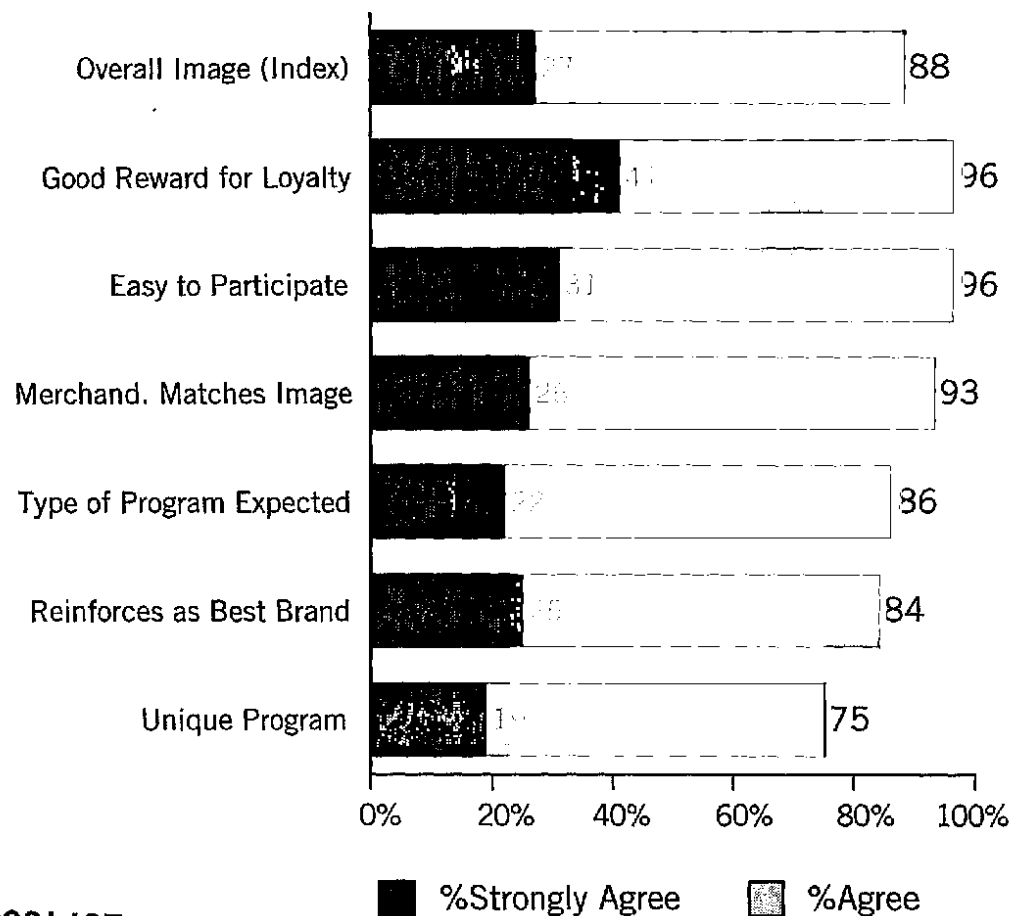
Merit
Intentions and Attitudes Model



2071665442

* Not statistically significant.

Merit Overall Image/Related Images



· Good reward for loyalty, easy to participate, and merchandise consistency with brand image are the most positive images redeemers associate with the Merit program.

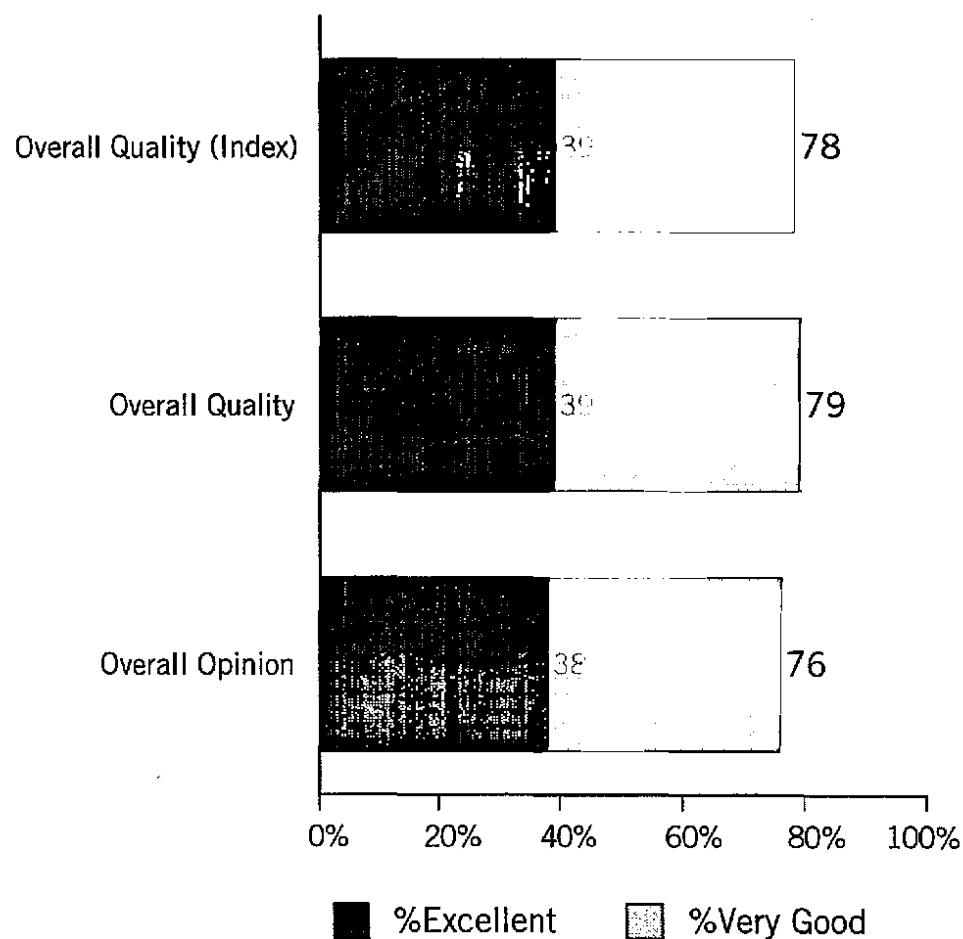
Note: Overall Image is a composite score of all related images.

2071665443

p_ca 1

Merit

Overall Program Quality



Overall Program Quality ratings are consistent with Overall Opinion ratings.

Note: The Overall Quality Index is a composite score of Overall Quality and Overall Opinion.

2071665444

p...opq 0

Merit

Voice of the Customer – Reasons for Overall Quality

· *Merchandise was the most frequent reason for Overall Quality.*

“The gifts are much nicer than some other programs. The merchandise comes and it exceeds our expectations.”

“You pick up free merchandise for almost no effort. They have a reasonable selection.”

“There is a lot of variety of things you can order that you can use daily: coffee mugs, watch, bathrobes, and ashtrays.”

“The quality of the stuff they give out. It is name brand, not cheap stuff. I don't know. I have had good service with them. It was sent when they said they would.”

“It is because they sell pretty nice merchandise, but it takes too many UPC's to get an item.”

“It's easy to cut out the UPC's. I wait until I have a lot, then sit and cut them all out at one time.”

2071665445

Merit

Voice of the Customer – Reasons for Overall Quality (cont'd)

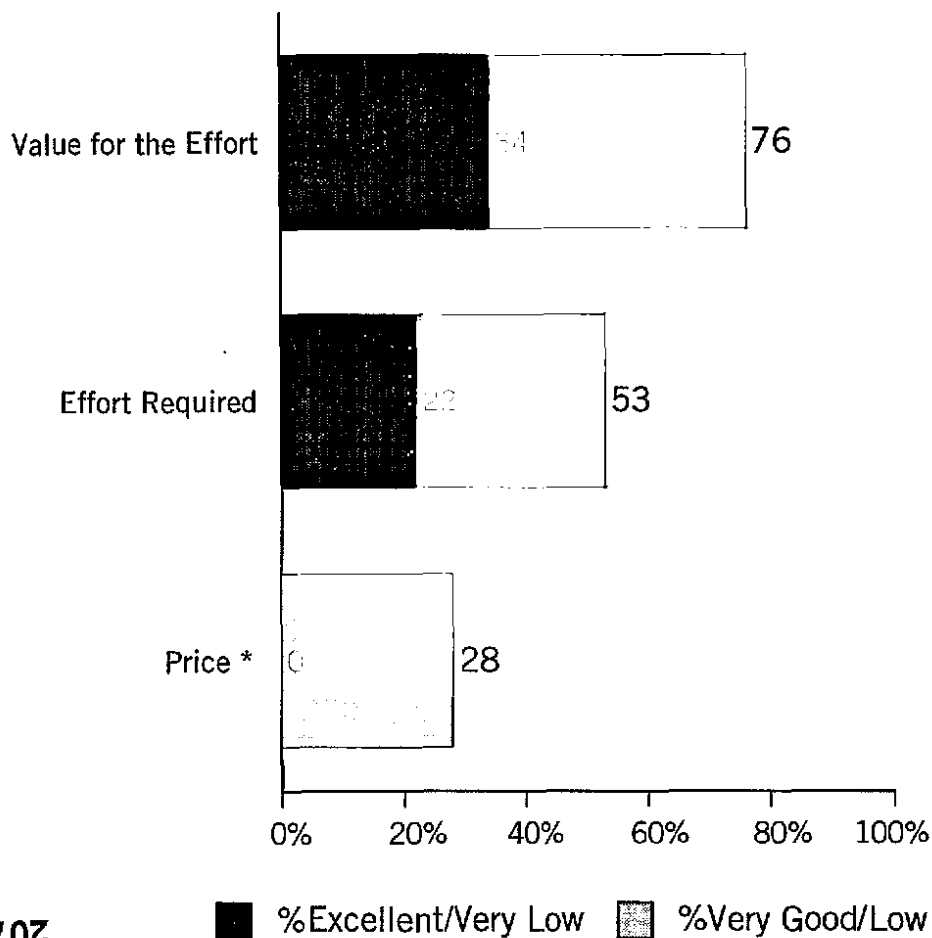
“It is because it is a way of saving money because they offer me things which I will have to go and buy. I save my UPC's and I can save money on those items.”

“It is because I've got prompt and courteous service.”

“It's just good to get something for just handling charges. It is nice to get something extra. Sometimes it seems a long time to get it. It's just nice that they offer these products for UPC's labels – pens, lighters, and bags.”

2071665446

Merit Overall Program Value

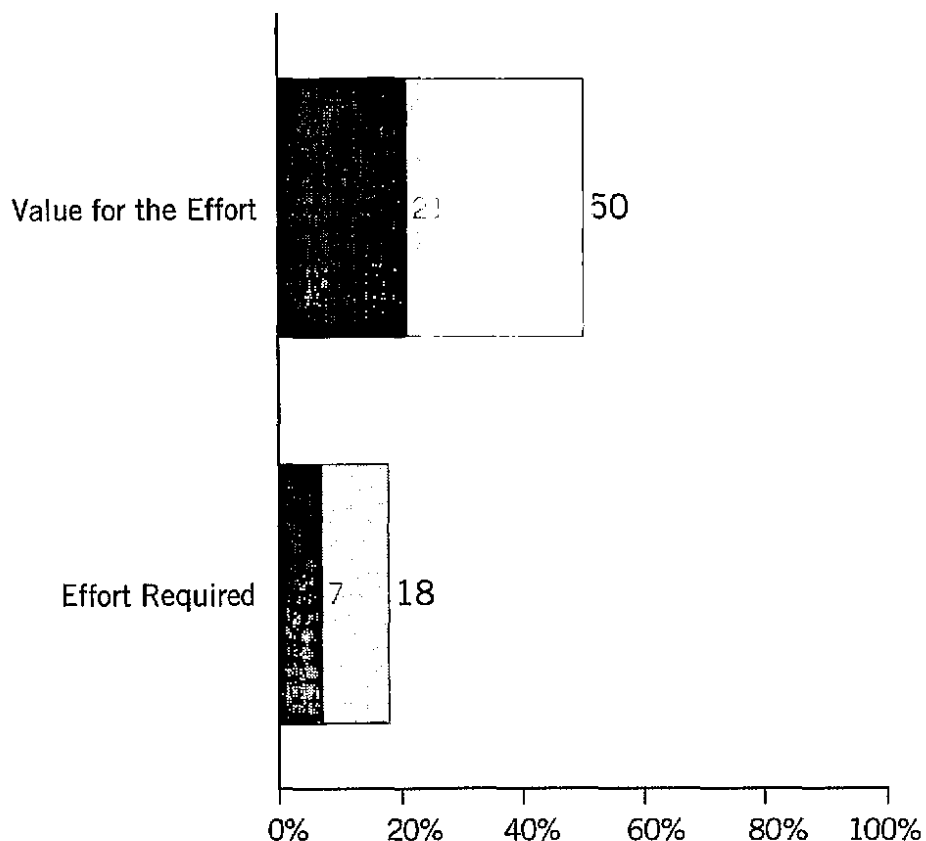


- Perceived Value for the effort is fairly positive, although many redeemers have moderate to high perceptions of the effort involved.
- This program does *not* influence low Price perceptions among most discount smokers.
- *Price Question: Given the price you pay for Merit and the opportunity to redeem for free merchandise, would you consider the price to participate in this program to be very low priced, low priced, moderately priced, high priced, or very high priced?*

* Among Discount Smokers Only.

2071665447

Merit Program Value Relative to Other Programs



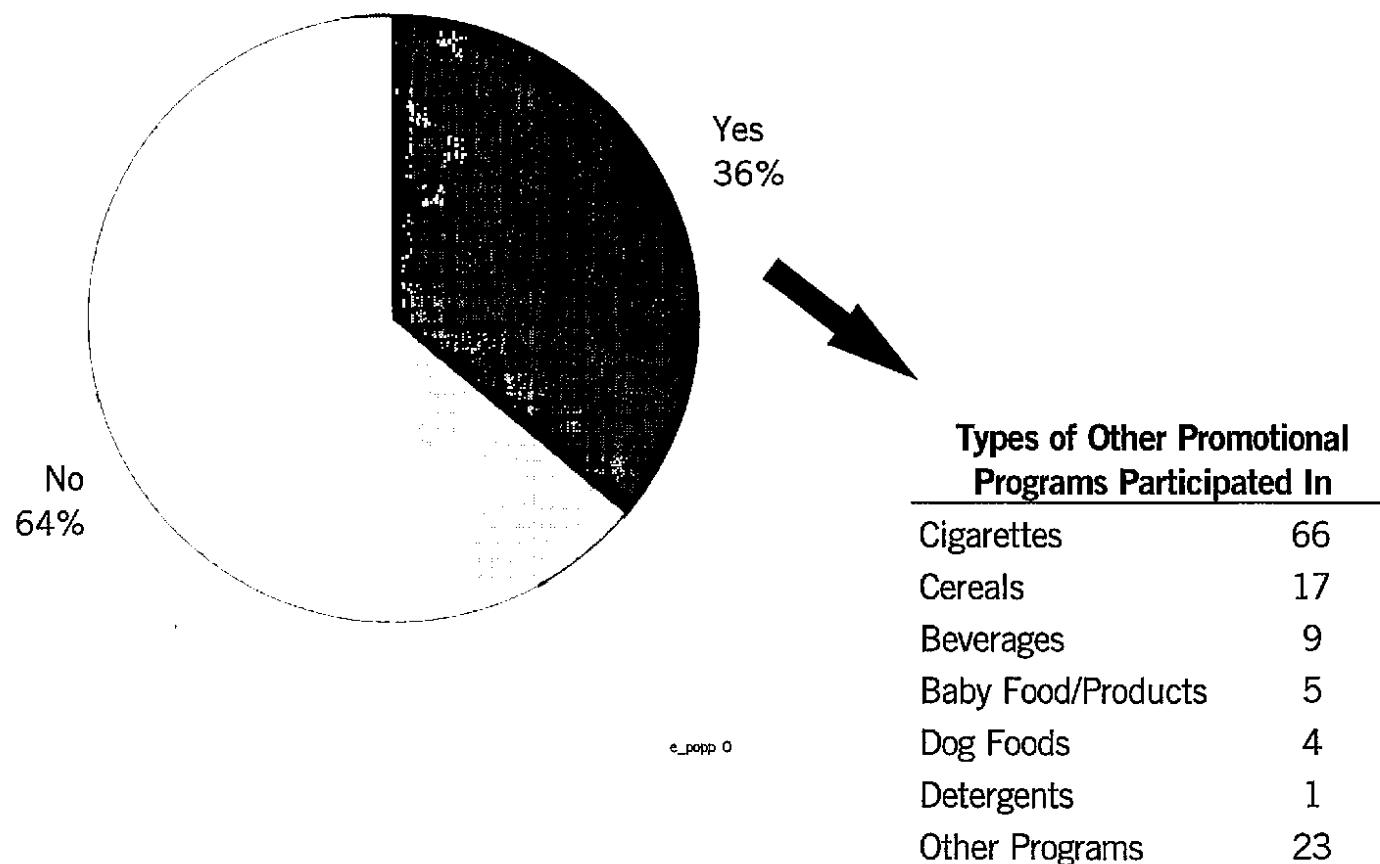
- About one-half of redeemers perceive better Value for the effort compared to other programs in which they participate.
- Other programs consist of mainly cigarettes and also cereals.

2071665448

■ %Much Better/Lower ■ %Somewhat Better/Lower

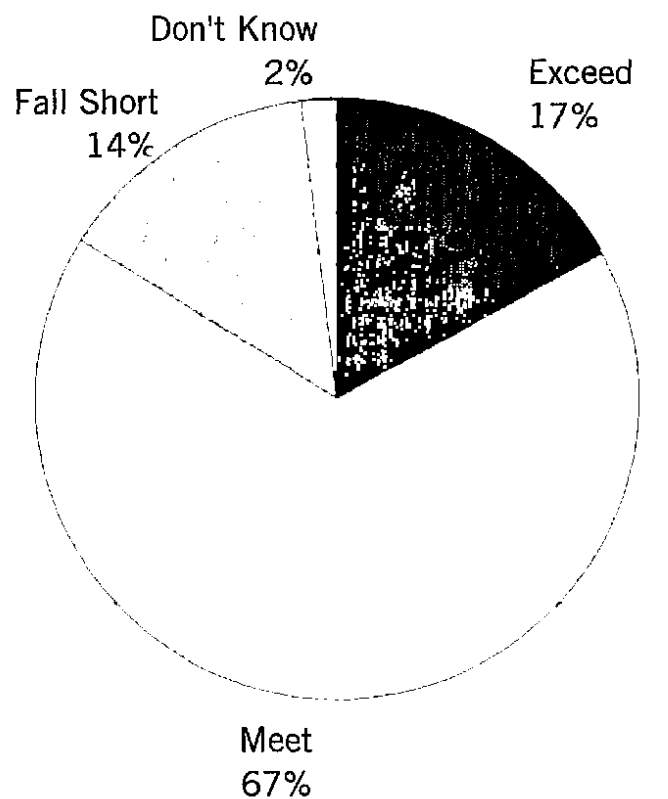
p_prop 0

Merit
Participation in Other Promotional Programs



2071665449

Merit
Program Experience Versus Expectations

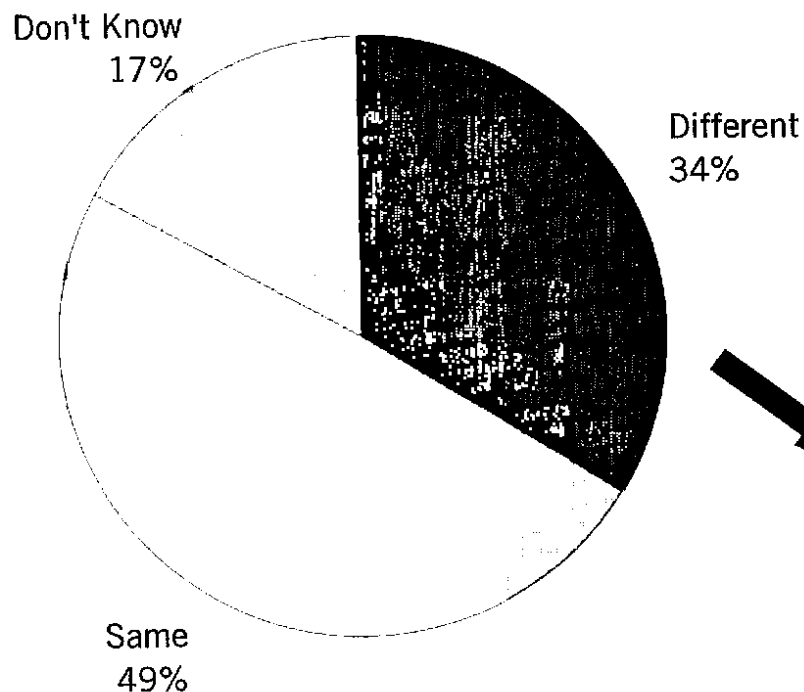


- Program performance generally meets or exceeds the expectations of redeemers.
- However, some redeemers have different expectations relative to other catalogs.

e_pave 0

2071665450

Merit
Expectations Relative to Other Catalogs

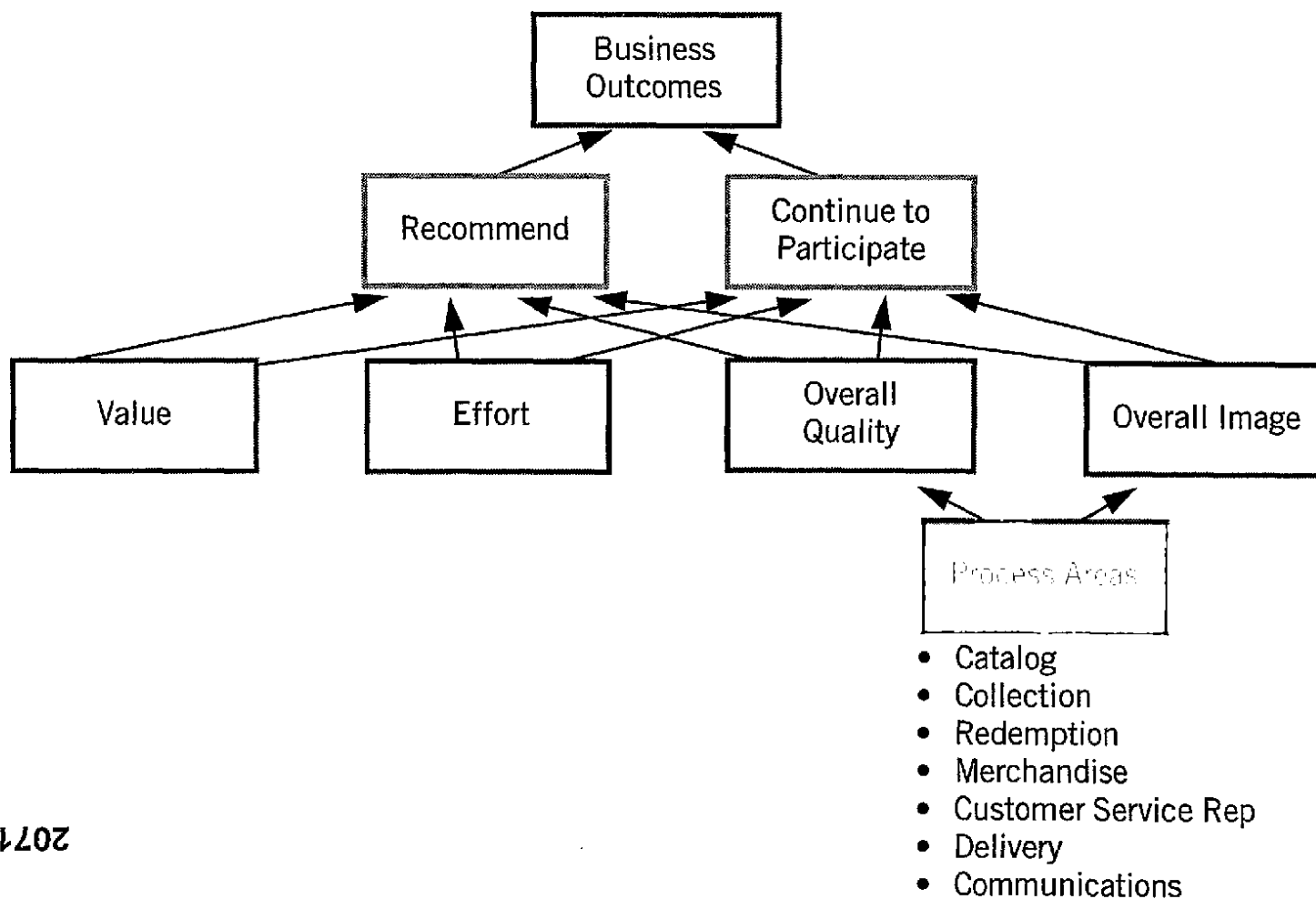


How Expectations Are Different

| | |
|-------------------------|----|
| Free/Don't Pay For | 40 |
| Merchandise | 9 |
| Better Value | 9 |
| Collection & Redemption | 8 |
| Other | 30 |

2071665451

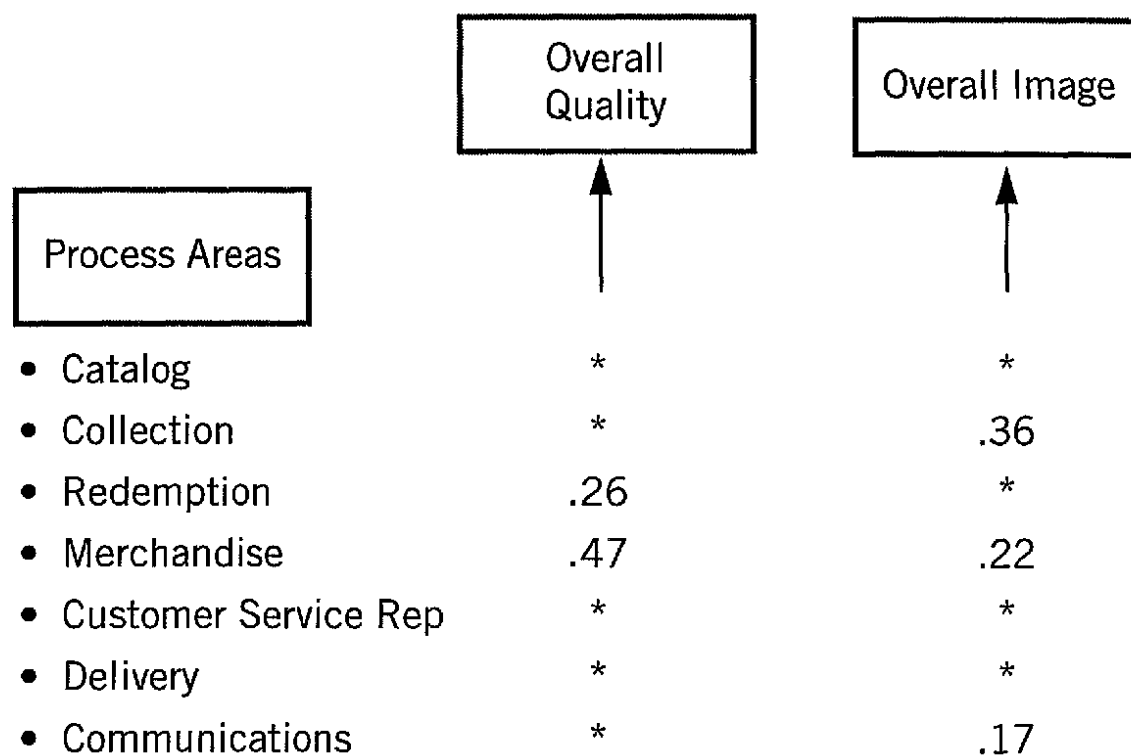
Merit Model of Redeemer Satisfaction Management



2071665452

Merit

Direct Effects – Process Areas and Attributes



2071665453

* Not statistically significant.

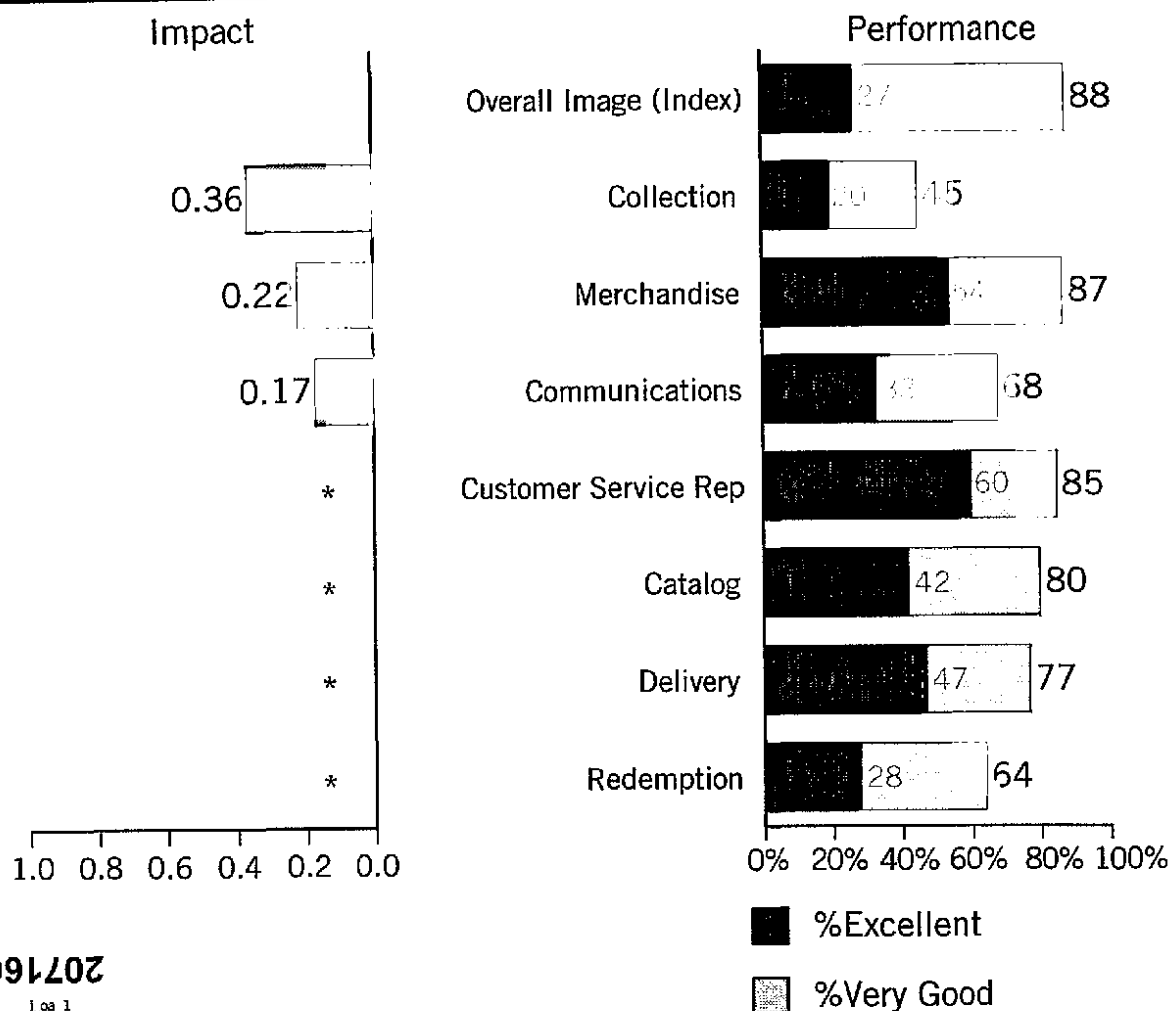
Merit

Model of Redeemer Satisfaction Management

- Various aspects of redeemer experience and interaction directly impact overall perceptions of the Merit catalog program.
- However, these various process areas relate very differently to Overall Program Quality and Overall Program Image.
- Although Merchandise is a key driver of both Overall Quality and Overall Image, other key driver process areas impact only one of these two overall perceptions.
 - » Overall Quality is driven primarily by Merchandise but also by Redemption.
 - » Overall Image is also driven by Merchandise, although Collection is the strongest driver. Communications also impacts Overall Image.

2071665454

Merit Impact/Performance – Overall Image



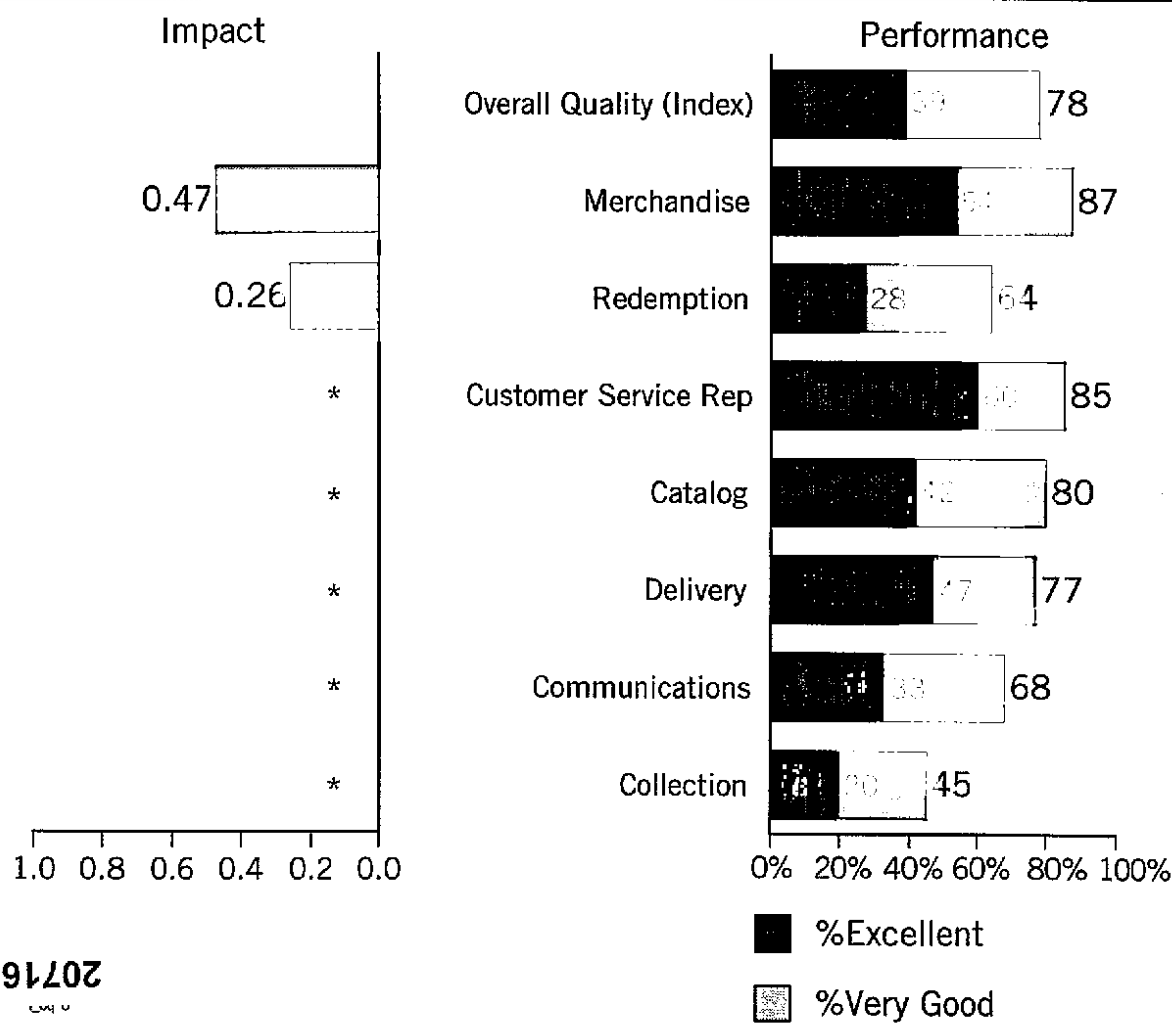
Collecting UPC codes is the primary driver of Overall Program Image, followed by Merchandise and Communications.

Collection and Communications show much room for improvement.

2071665455

1,001

Merit Impact/Performance – Overall Quality



- Perceived Overall Quality is driven primarily by strong Merchandise.
- However, Redemption, an area of lower performance, also drives Overall Quality.

2071665456

CMH

* Not statistically significant.

Merit

Total Effects – Process Areas on Commitment

- Based on the model of CSM, process areas are directly related to both Overall Quality and Overall Image. In order to assess the combined impact of these various factors of redeemer experience, total effects were calculated to link these process areas directly with Redeemer Commitment.
- Merchandise and Collection, followed by Communications, impact future behavior.
 - » Although Merchandise performance is already fairly high, continued improvement in this area will have a positive impact on future behavior, especially related to continued participation.
 - » As highlighted in previous sections, Collection and Communications show room for improvement.

2071665457

Merit

Total Effects – Process Areas on Commitment

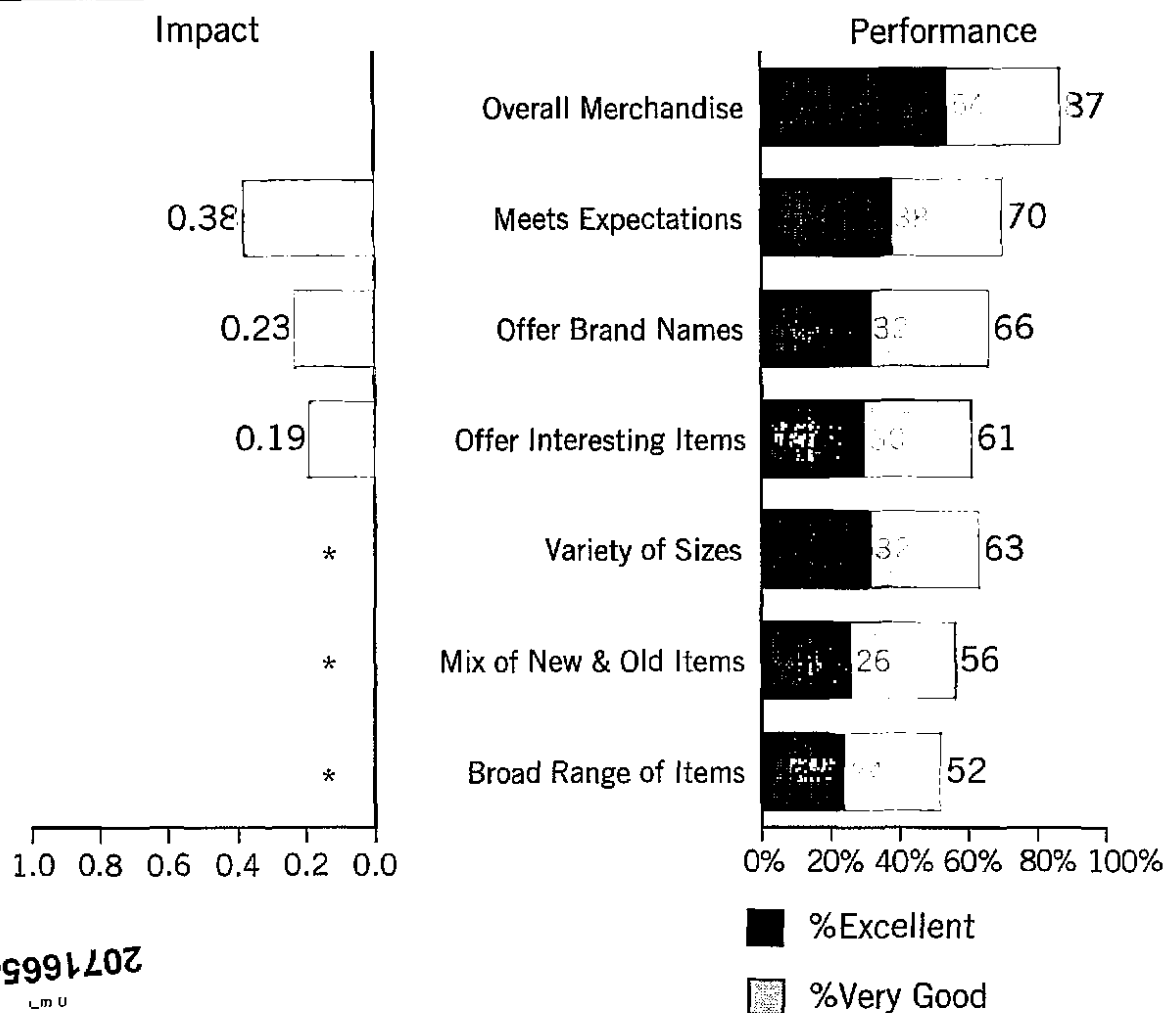
| | Continue | Recommend |
|------------------|----------|-----------|
| Merchandise | 0.19 | 0.15 |
| Collection | 0.12 | 0.17 |
| Communications | 0.07 | 0.09 |
| Catalog | 0 | * |
| Redemption | 0 | * |
| Customer Service | 0 | * |
| Delivery | 0 | * |

*Non-significant

2071665458

Merit

Impact/Performance – Merchandise



Merchandise performance is driven largely by how well it meets expectations, although brand names also show strong impact.

* Not statistically significant.

2071665459
 L m U

Merit

Voice of the Customer – Merchandise

“They offer nice gifts. I received a leather bomber jacket and a lovely leather bag. The quality is exceptional.”

“The stuff was good merchandise. It's not cheap. I can go in the store, and the same item is more expensive. If I wanted to get a cheap ice chest, I can get it at Walmart. They have the same ice chest as Merit for \$23, actually a cheaper brand than Merit.”

“It is because of the quality of merchandise that is offered. It is basically the variety of what is offered I find very nice.”

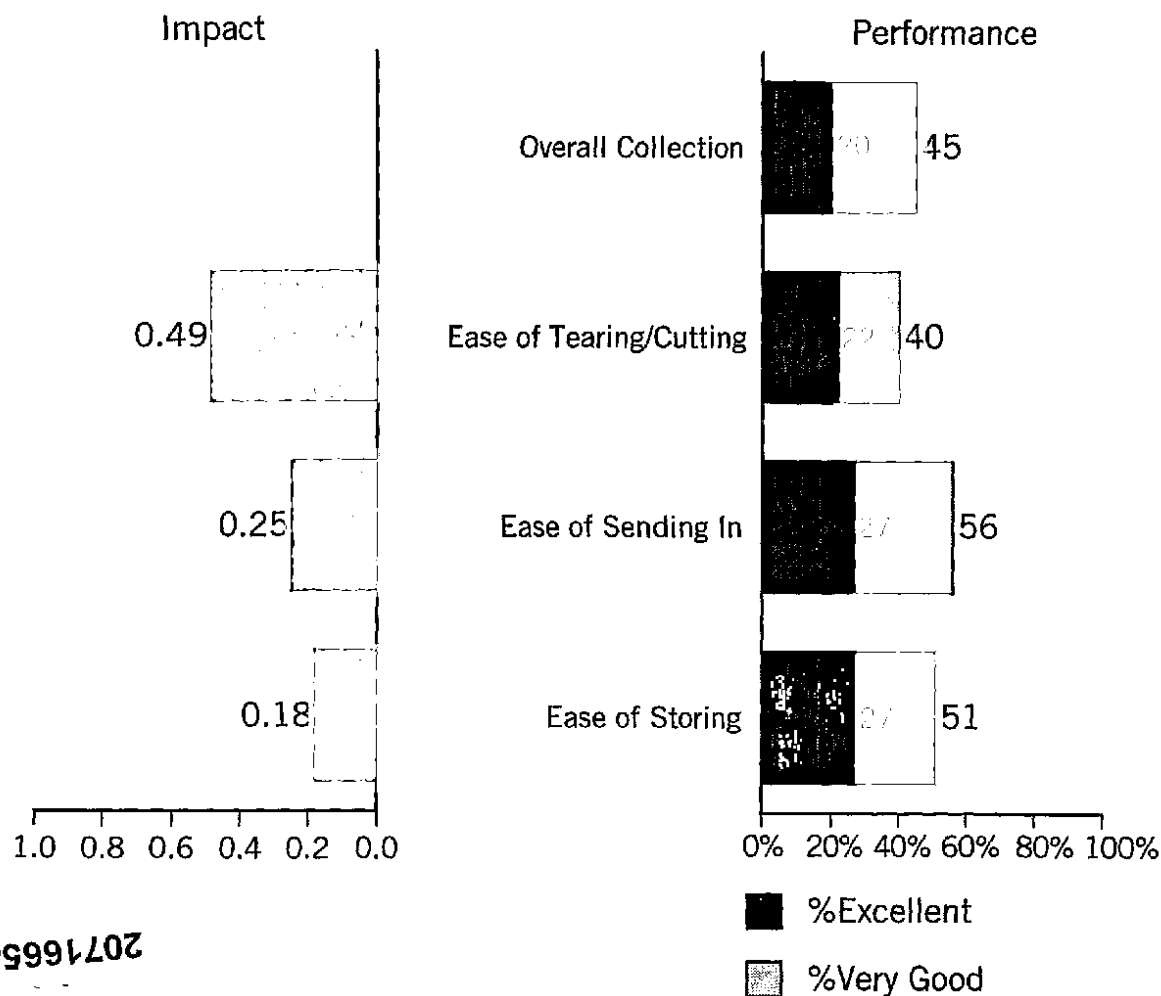
“On the unisex sizes, you should warn the people that the sizes are geared more toward the male sizes. If a female wears a medium, she should order a small. Liven up a little. Marlboro has a good variety of products. The quality is good.”

“Wider range of items. They have a large selection now but they could have more.”

2071665460

Merit

Impact/Performance – Collection of UPC's



• Ease of tearing/cutting UPC's is the primary driver of perceptions of the Collection process, followed by ease of sending in UPC's.

2071665461

Merit

Voice of the Customer – Collection of UPC's

“What they offer is something that you would want. It does not take up too much time to save up those things.”

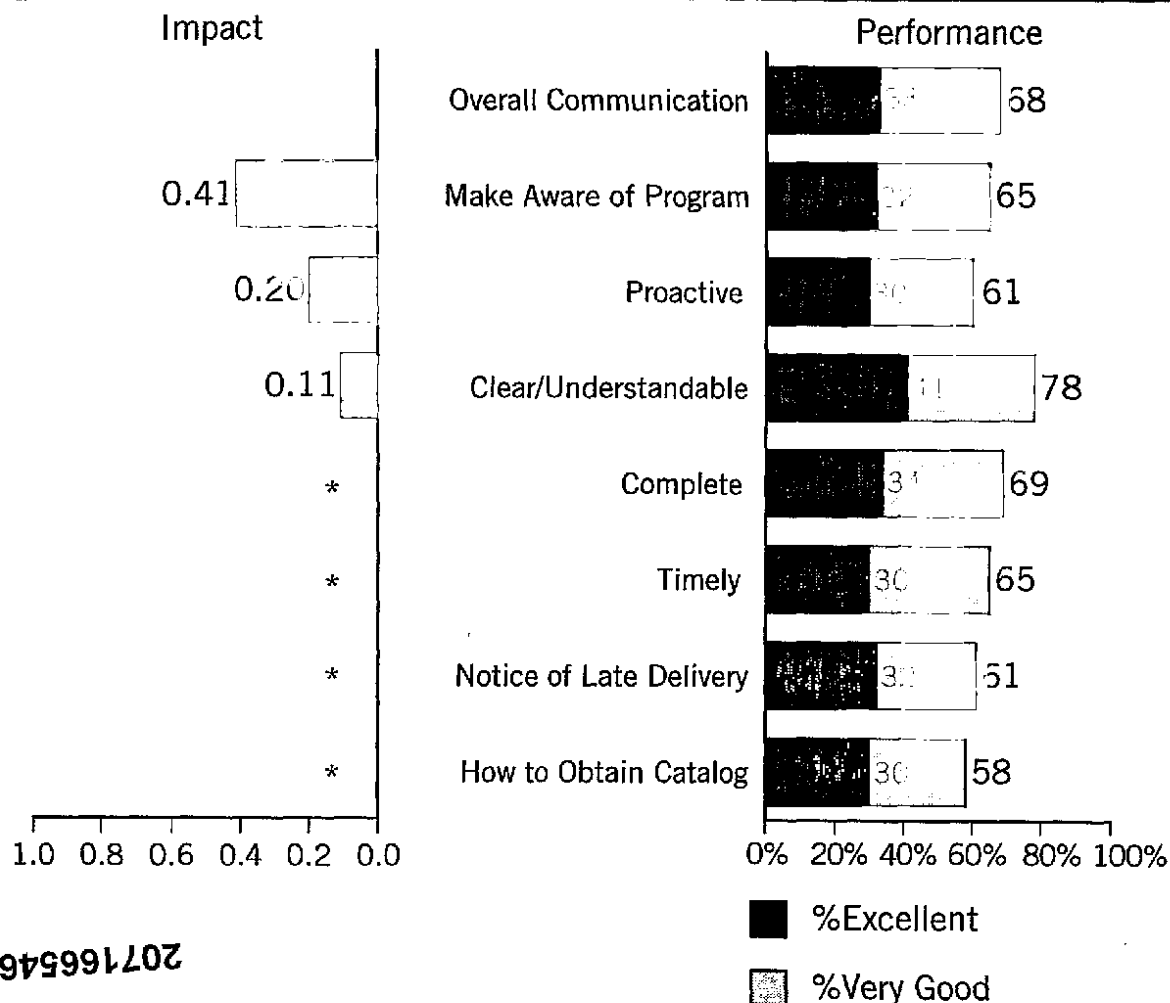
“Get rid of the UPC and add coupons or tags. The soft packs are hard to tear off.”

“Use carton UPC's instead of the pack UPC. It would make it a lot easier to cut it off instead of cutting off each pack.”

2071665462

Merit

Impact/Performance – Communications



· Building program awareness is the strongest determinant of communications performance.

* Not statistically significant.

2071665463

Merit

Voice of the Customer – Communications

“I would like to see more coupons. I spend a lot of money on cigarettes, and they could send me out some coupons more often.”

“Availability of catalogs in places where you can pick them up. I just don't see that many of them. Possibly extending the expiration date of the catalogs.”

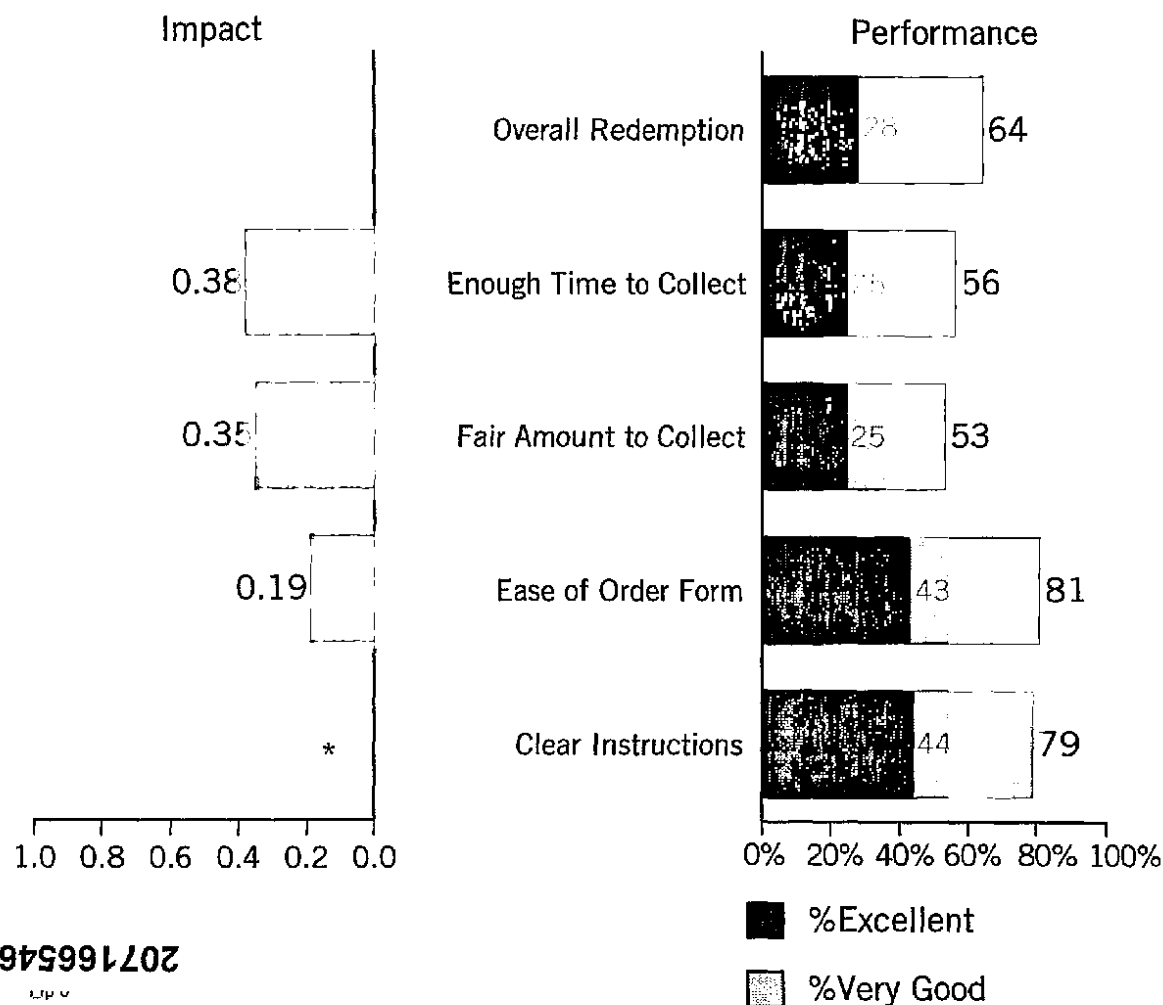
“Communications. Be sure to let people know if their orders are going to take extra long to arrive.”

“They keep sending catalogs too much. They need to make sure that they don't duplicate their mailings. The last time I received three, which was aggravating. One was in my maiden name, my married name, and then one was in my husband's name, who doesn't even smoke.”

2071665464

Merit

Impact/Performance – Redemption Process

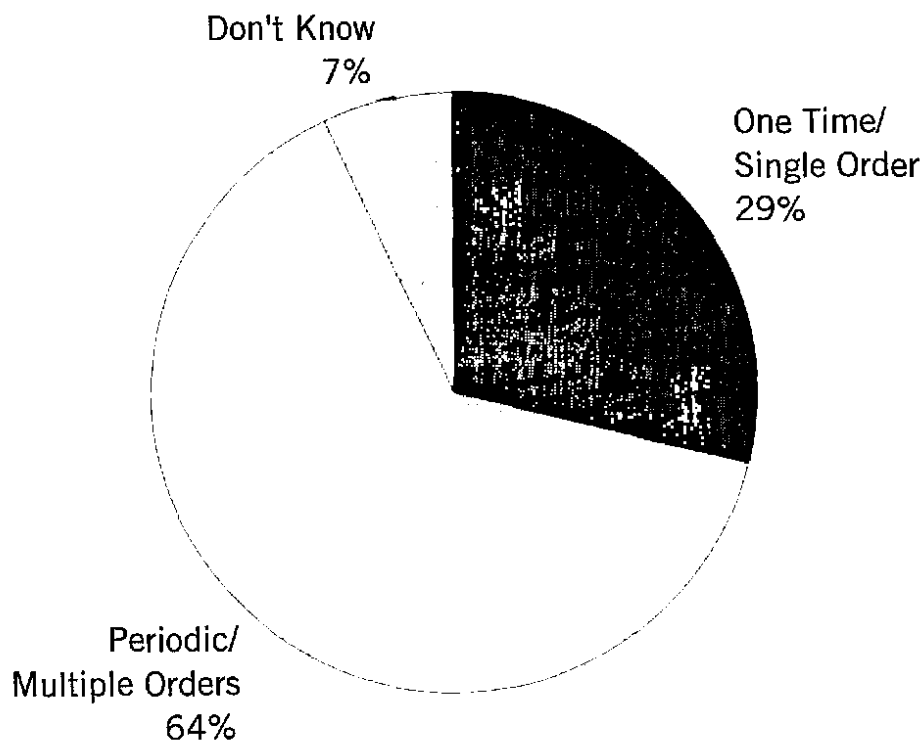


Overall perceptions of the Redemption process are largely driven by the time allowed and fair number of UPC's to collect.

2071665465

* Not statistically significant.

Merit One-Time Versus Periodic Redemption



· Redeemers more often send in multiple orders as they collect UPC's over the course of the program, rather than holding for a single order.

2071665466

Merit

Voice of the Customer – Redemption Process

“They give me and send me all sorts of items. I mean, just for sending in my UPC’s, they give me stuff and send me coupons.”

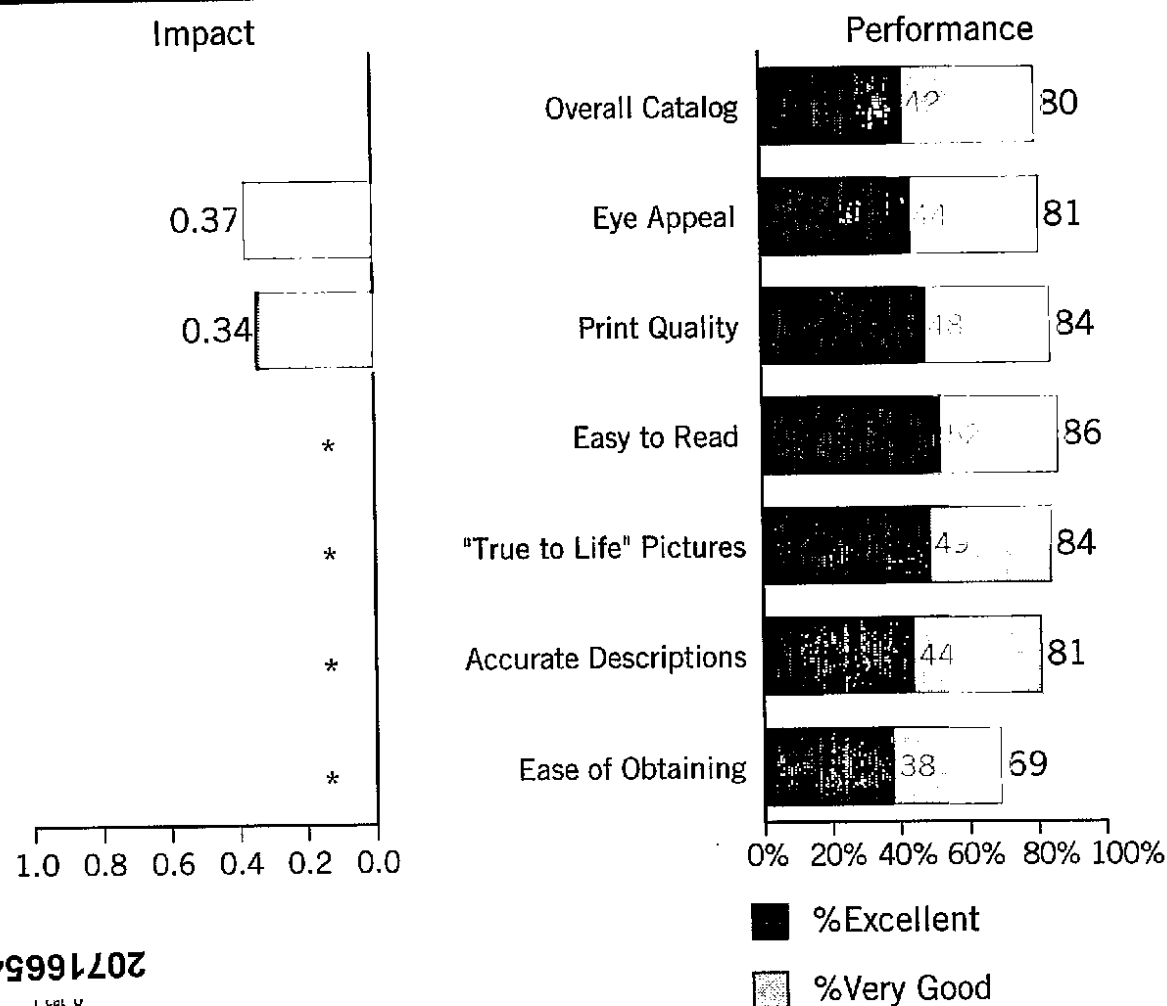
“I guess I’m comparing. I’ve seen better. I’m comparing it to Marlboro merchandise. It’s better, and there are deadlines on the Merit stuff. I missed two orders, and they don’t have a lot of choices like Marlboro. It’s an extra incentive. It’s nice. It’s exciting to build up and get a reward.”

“I buy my cigarettes by the carton, and they need some kind of incentive for buying by the carton like more UPC’s for the carton.”

“Some of the products are not that interesting and the number of UPC’s required for some of the products is unrealistic. High collection amount for some of the things. Lemonade container, no interest in them. A lot of UPC’s required for some items.”

2071665467

Merit
 Impact/Performance – Catalog



Both eye appeal and print quality drive overall perceptions of the Catalog.

* Not statistically significant.

2071665468

Lot 0

Merit

Voice of the Customer – Catalog

“I like the merchandise and we like the catalog.”

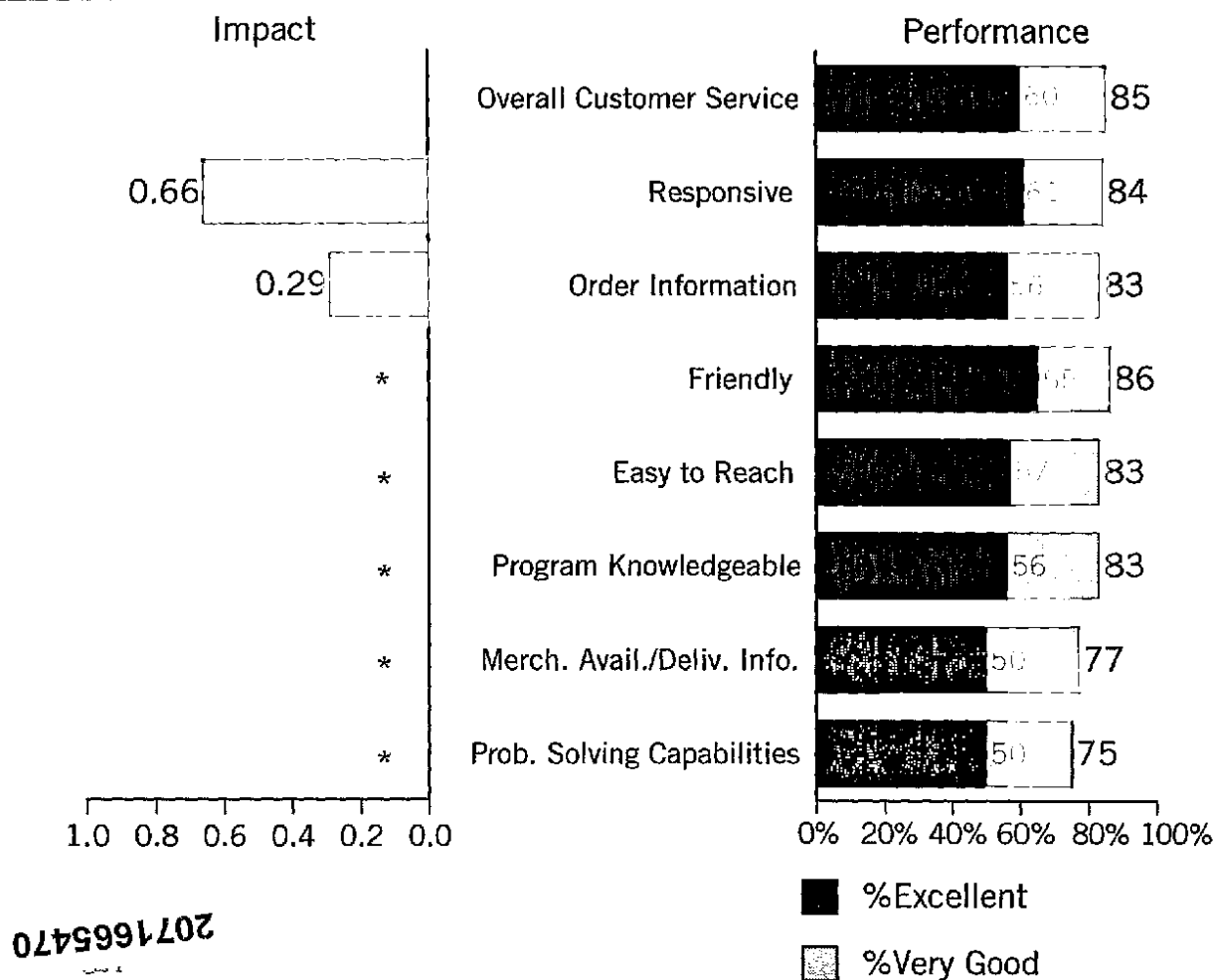
“Describe the products more in the catalog. I thought the lighter I got would be like a zippo, but it turned out to be a lighter like a bic.”

“Make better availability of the catalog.”

2071665469

Merit

Impact/Performance – Customer Service Representative

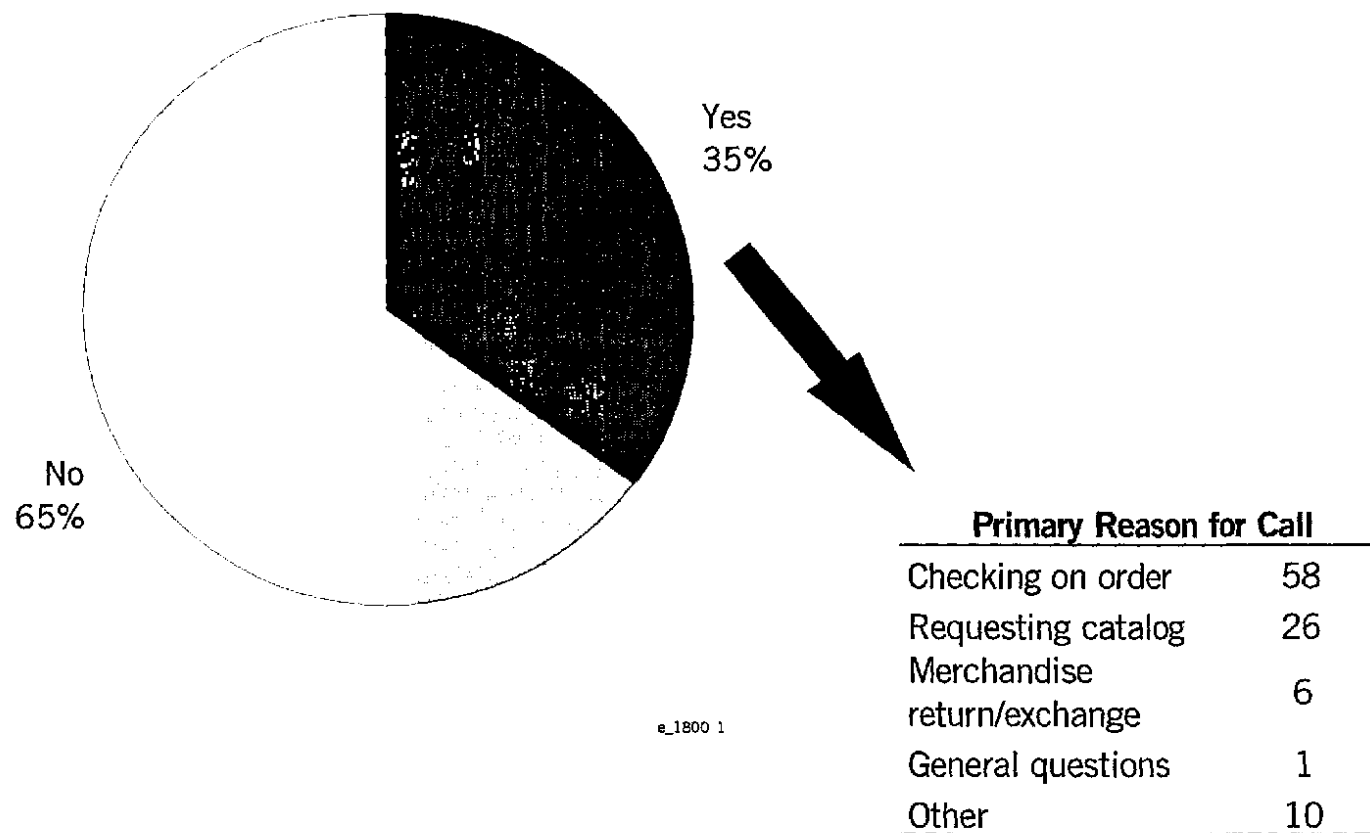


- Responsiveness is by far the strongest driver of Customer Service Representative performance, although providing order information is also a key driver.
- Checking an order is the main reason for calling, followed by catalog requests.

* Not statistically significant.

2071665470

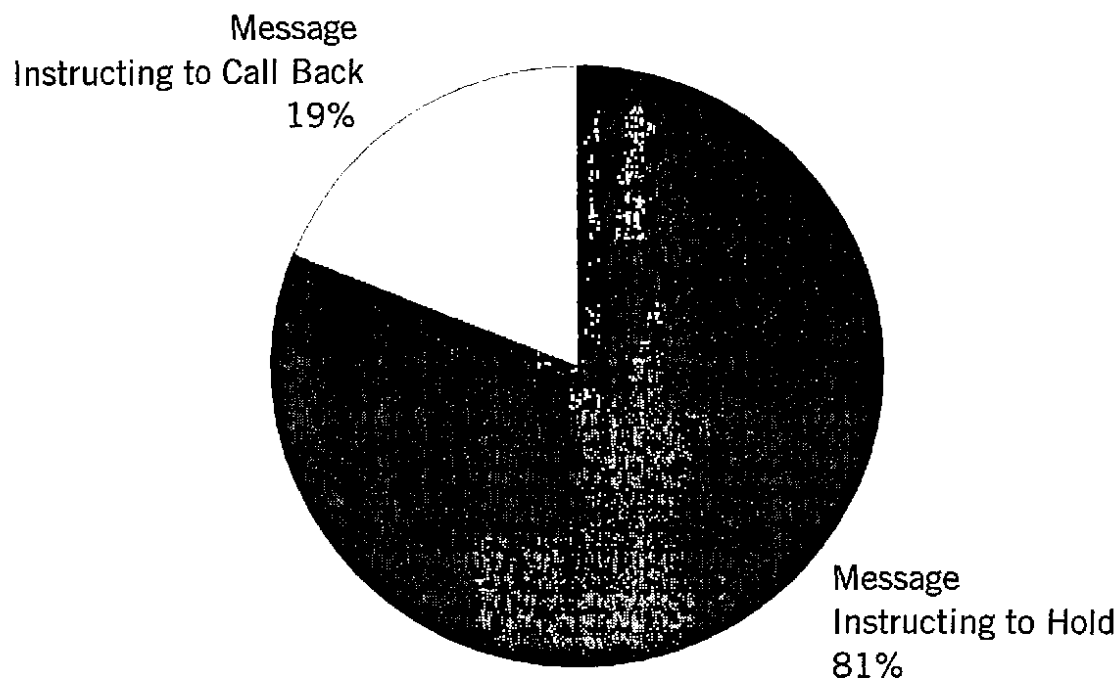
Merit
Usage of 1-800# Past Year



2071665471

Merit

Preference When Cannot Reach "Live" Customer Service Rep



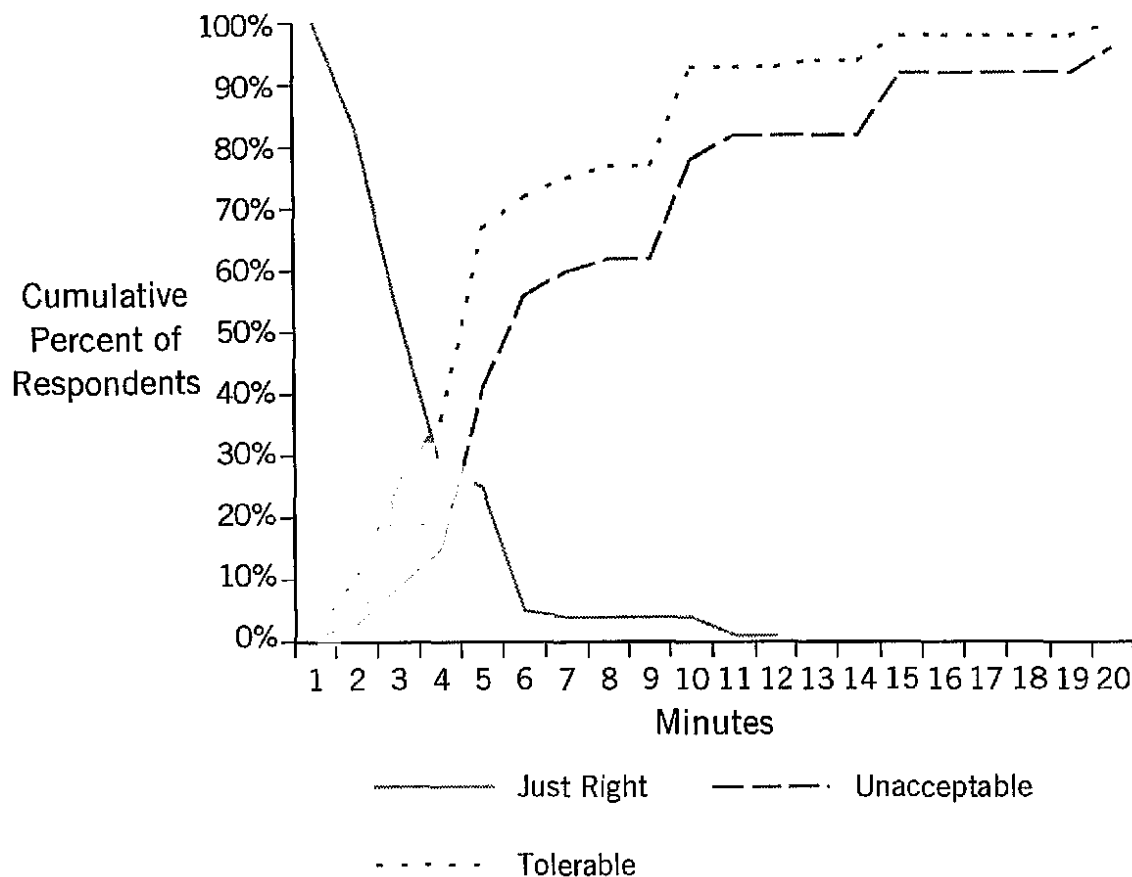
- Redeemers attempting to reach Customer Service prefer to hang on the line, rather than being instructed to call back.

e_pwr 0

2071665472

Merit

Time Sensitivity – Waiting for Customer Service Rep



The range of acceptable waiting time for a Customer Service Rep is up to 4½ minutes.

2071665473

ts_cs 0

Merit

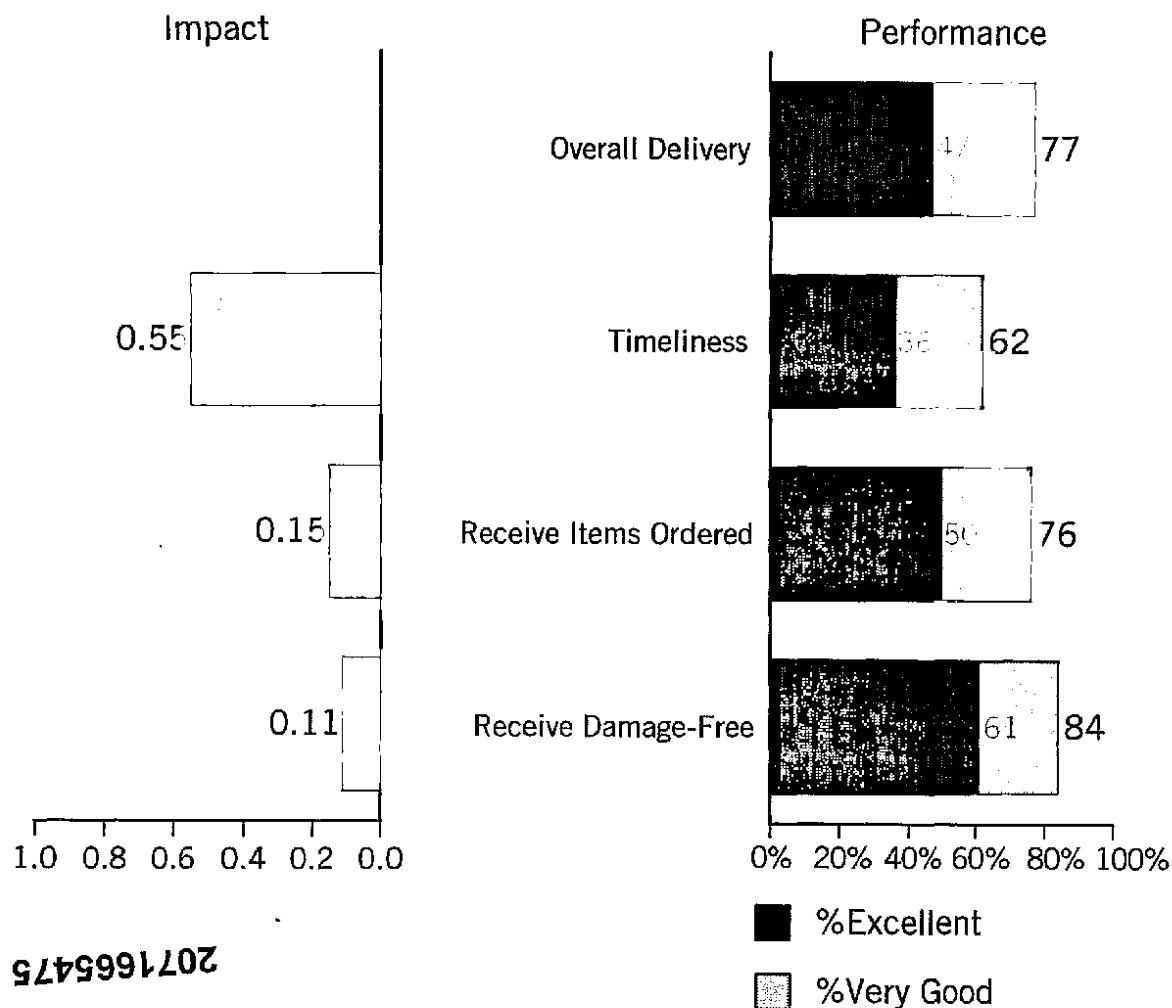
Voice of the Customer – Customer Service Representatives

“I didn’t get my order. It was 12 weeks, and I called them, and they said it had been shipped. I waited a few more weeks and called them again, and they said they didn’t know what happened to it. They finally sent it, but it seemed like it took forever.”

2071665474

Merit

Impact/Performance – Delivery



- Delivery performance is primarily driven by timeliness.

- Currently almost one-half of orders are received within 4 weeks, while over three-fourths are received within 8 weeks.

2071665475

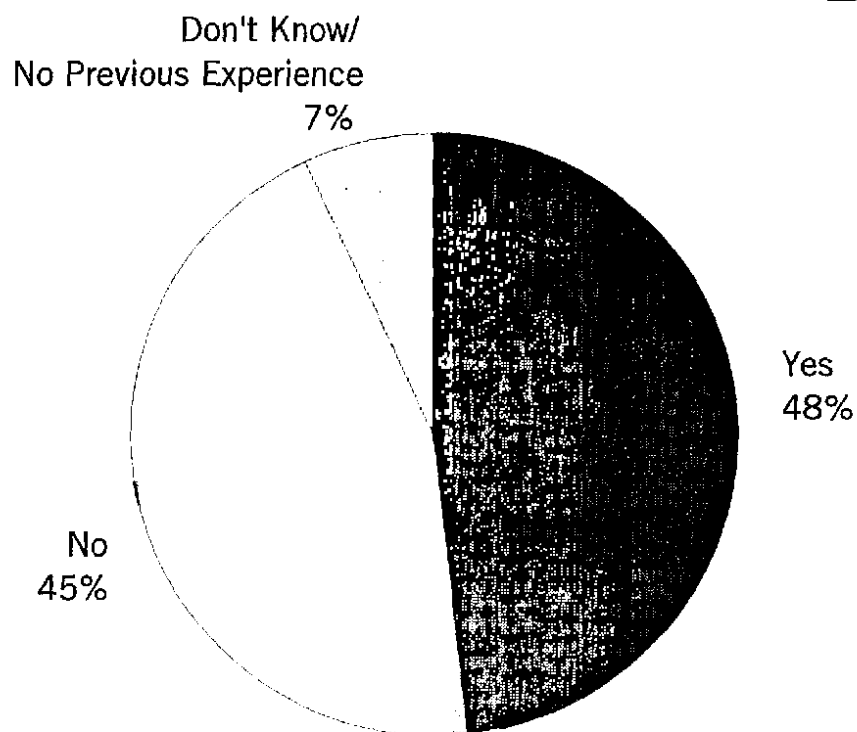
Merit

Delivery Time/Number of Shipments for Last Order

| Order Received | Merit | Marlboro (June 1995) |
|------------------------------|--------------|---------------------------------|
| 1-3 weeks | 29 | 10 |
| 4 weeks | 19 | 15 |
| 4 weeks or less (net) | 48 | 26 |
| 5-8 weeks | 28 | 40 |
| 8 weeks or less (net) | 76 | 66 |
| 9-12 weeks | 8 | 14 |
| Over 12 weeks | 5 | 9 |
| Not received yet/Don't know | 11 | 12 |
| # of Shipments | | |
| One shipment | 49 | 37 |
| Two shipments | 48 | 59 |
| Not received yet/Don't know | 3 | 4 |

2071665476

Merit Improvement Over Last Order?

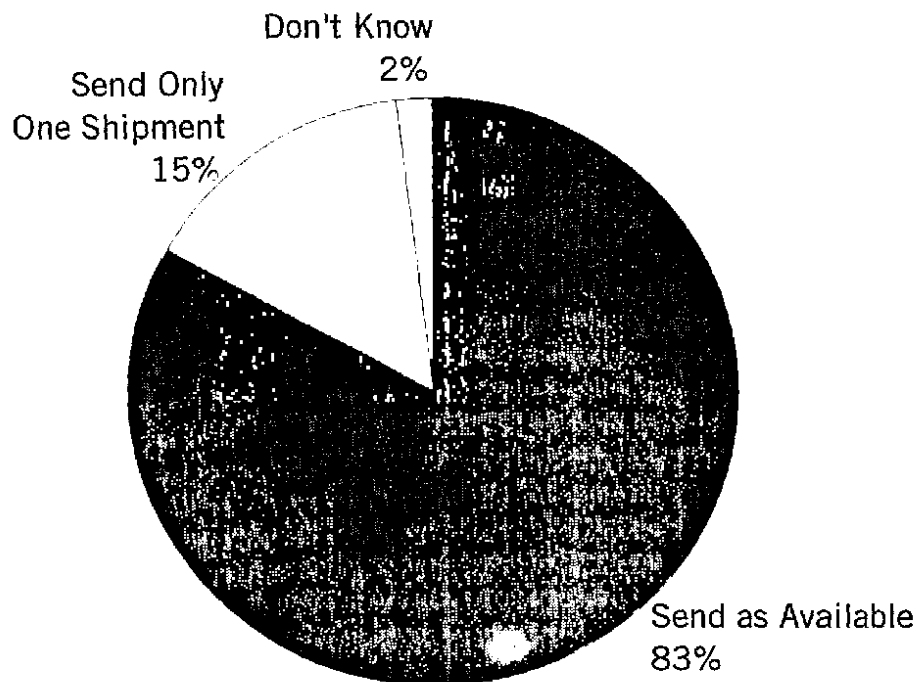


- Close to one-half of redeemers have noticed some improvement in delivery timing.

a_lola 0

2071665477

Merit Preference for Back Orders

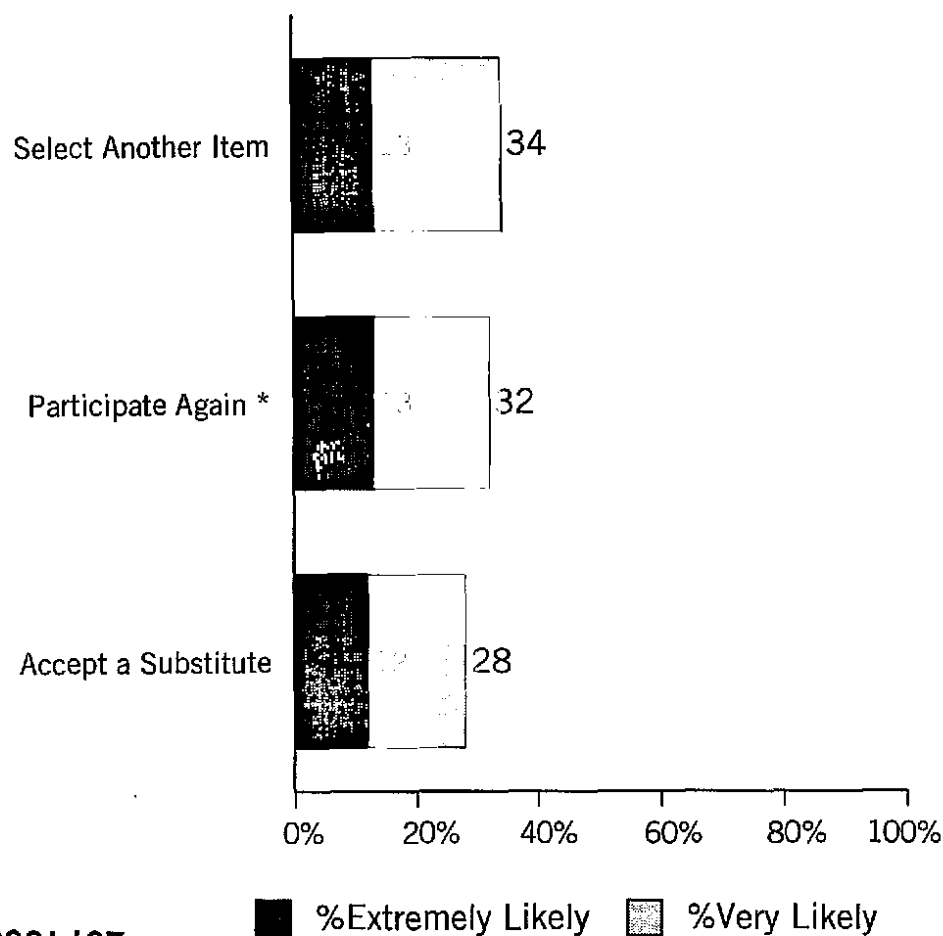


Most redeemers clearly prefer to receive merchandise as it is available, with back orders to be sent in a later shipment.

e_pba 1

2071665478

Merit Behavior Outcomes for Back-Order Situations



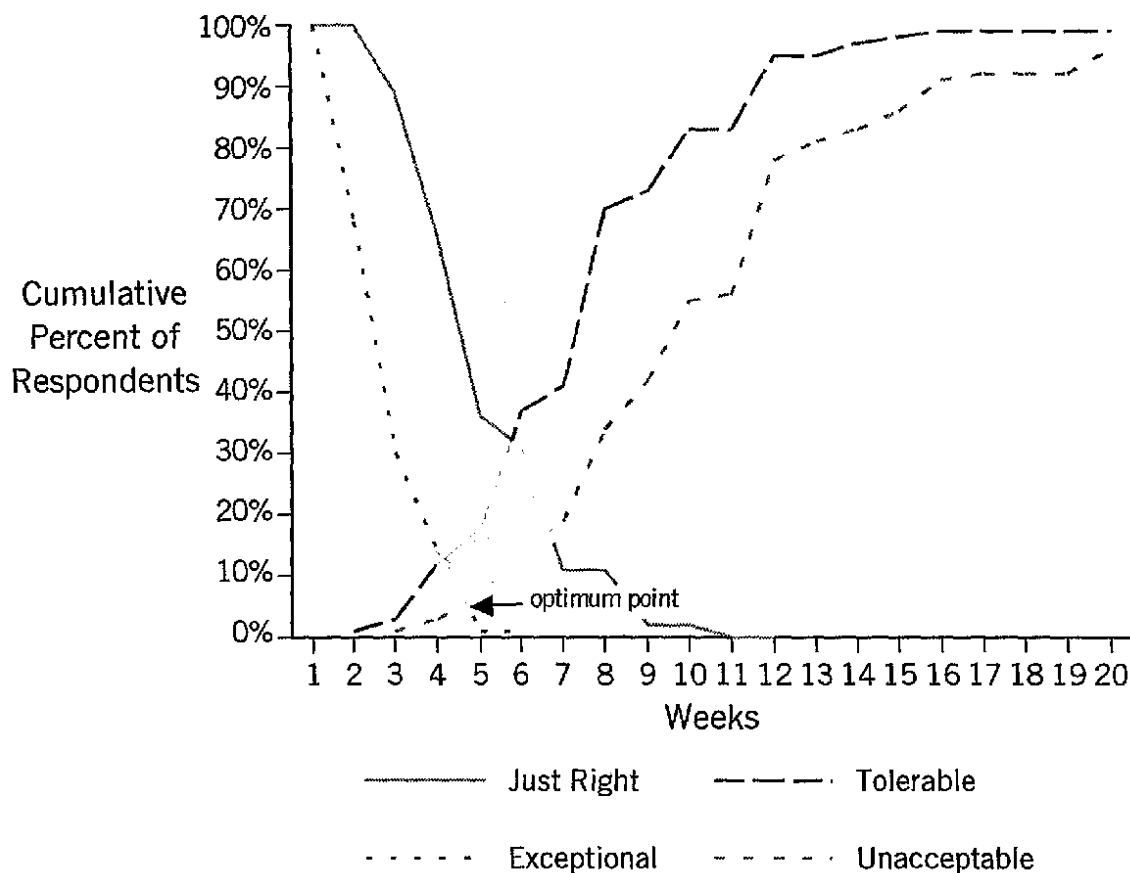
Based on experiencing back-order situations, only about one-third of redeemers are likely to accept other items or participate again.

* Based on possibly receiving a substitute item.

2071665479

p_bofbos0

Merit Time Sensitivity – Delivery



- The optimum delivery time, based on redeemer expectations, is just under 5 weeks.
- Four weeks to just under 7 weeks is within the range of acceptable delivery time.

2071665480

ts_d 1

Merit

Voice of the Customer – Delivery

“I’ve had no problems. I’ve gotten what I ordered in a good amount of time, four to six weeks.”

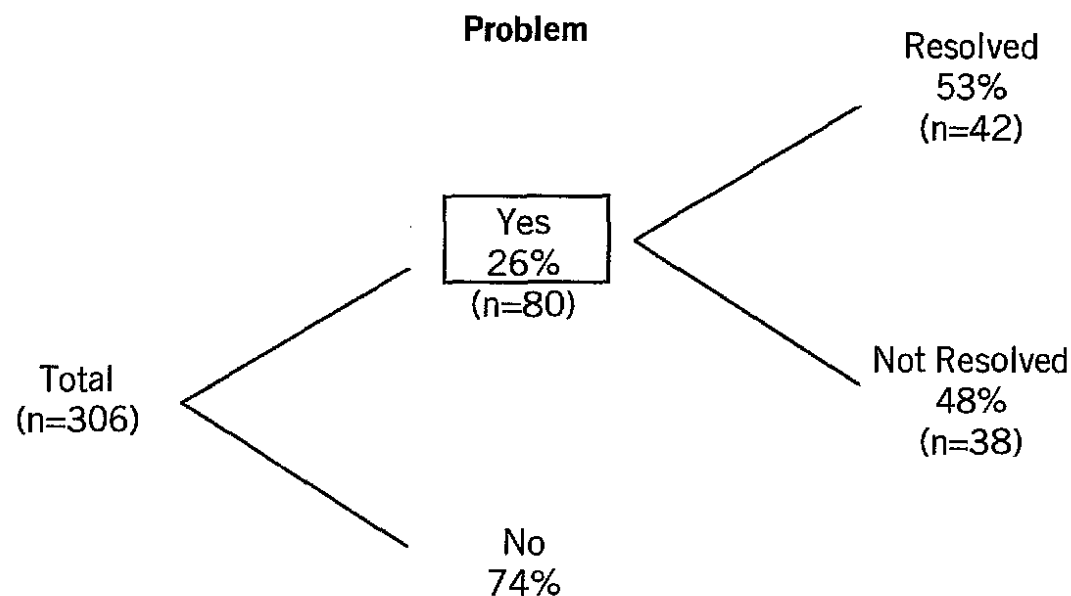
“The last time I ordered items from them, it took four months to get the items.”

“I would give it an ‘Excellent’ but they are behind on an order. I’m waiting for the second box.”

“Everything was late getting here—30 weeks. Plus I haven’t got parts of that order.”

2071665481

Merit Problems Experienced



· Problem Impact on Continued Participation:

| | No Problem | Problem Resolved | Problem Not Resolved |
|--|------------|------------------|----------------------|
| 2071665482 %Extremely/ Very Likely | 94% | 98% | 84% |

Merit

Voice of the Customer – Problems Experienced

· Delivery was cited as the most common problem, followed by merchandise.

“I’m still waiting for stuff to come in from last May. The program ended May 31. They sent notices merchandise would come in September 25, but it still hasn't come in.”

“Not receiving items and not getting shipping and handling charges and my UPC’s back. After receiving the UPC’s, they are messy.”

“The order was on backorder, and they failed to notify me. I had to call. It’s been about nine months now, and I still haven’t got it.”

“A shirt came, and it was the wrong size. I ordered an extra large, and it came in a medium, so I sent it back and was able to get the right size, and it came very quickly.”

“They did not have the item in stock. They never communicated it to me. When I called, they did have the accurate information. It did take four months to get the item.”

2071665483

Merit

Voice of the Customer – Closing Suggestions

“Through Carlton, you could get \$50 savings bonds. You should think of things like that. Put the UPC on the carton, not on the packs.”

“A larger variety of merchandise, and once you make the order, a quicker time back to the redeemer.”

“Describe the products more in the catalog. I thought the lighter I got would be like a zippo, but it turned out to be a lighter like a bic.”

“Simply allow you to use the carton UPC's instead of the individual packages. Offer more items in the catalog.”

“Get rid of the UPC and add coupons or tags. The soft packs are hard to tear off.”

2071665484

Merit

Voice of the Customer – Closing Suggestions (cont'd)

“One piece of literature gives a specific time period, but the catalog had the same item with no limited time to order it. There is a miscommunication here.”

“More communications about back order and the time of delivery.”

“The delivery could be more prompt. To offer more prompt service.”

2071665485

Merit

Key Findings and Implications

- Merit redeemers are highly likely to continue participating in the catalog program. In fact, levels of intended future participation are similar to Marlboro. Future objectives should focus on maintaining this high commitment while enhancing usage by others through increased recommendations.
- Rewarding loyal redeemers, ease of participating, and merchandise quality and image are strengths of the Merit program.
- Merit catalog performance, relative to Marlboro, is fairly strong, although Marlboro shows slightly higher levels of overall opinion, images, collection, and communications. However, Merit delivery performance exceeds Marlboro.

2071665486

Merit

Key Findings and Implications (cont'd)

- Concentrate Merit catalog efforts on maintaining/improving program areas which have the greatest effect on commitment behavior.
 - » merchandise
 - » collection
 - » communications
- In addition, management of delivery is critical, since back orders may inhibit redeemer likelihood to participate again.

2071665487

Merit Action Priorities

Maintain:

Merchandise

Focus On:

Identify and meet redeemer expectations (brand names)

Will Improve:

Overall Quality/Overall Image

↓
Commitment

Improve:

Collection

Ease of tearing/cutting and
storing within allotted time

Communication

Build program awareness

Delivery

Manage back orders
Delivery within 7 weeks

BENSON &
HEDGES

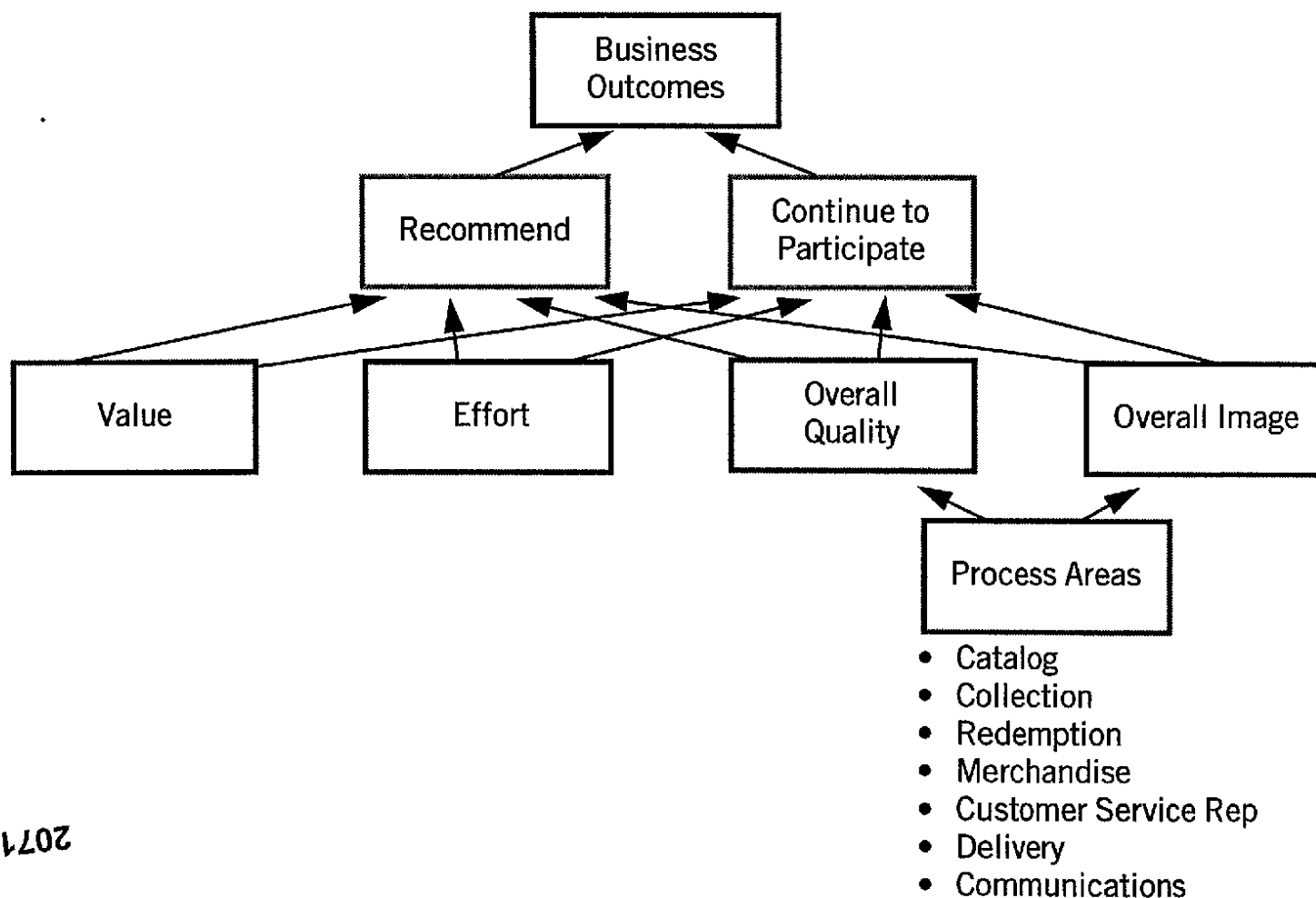
2071665489

BENSON & HEDGES

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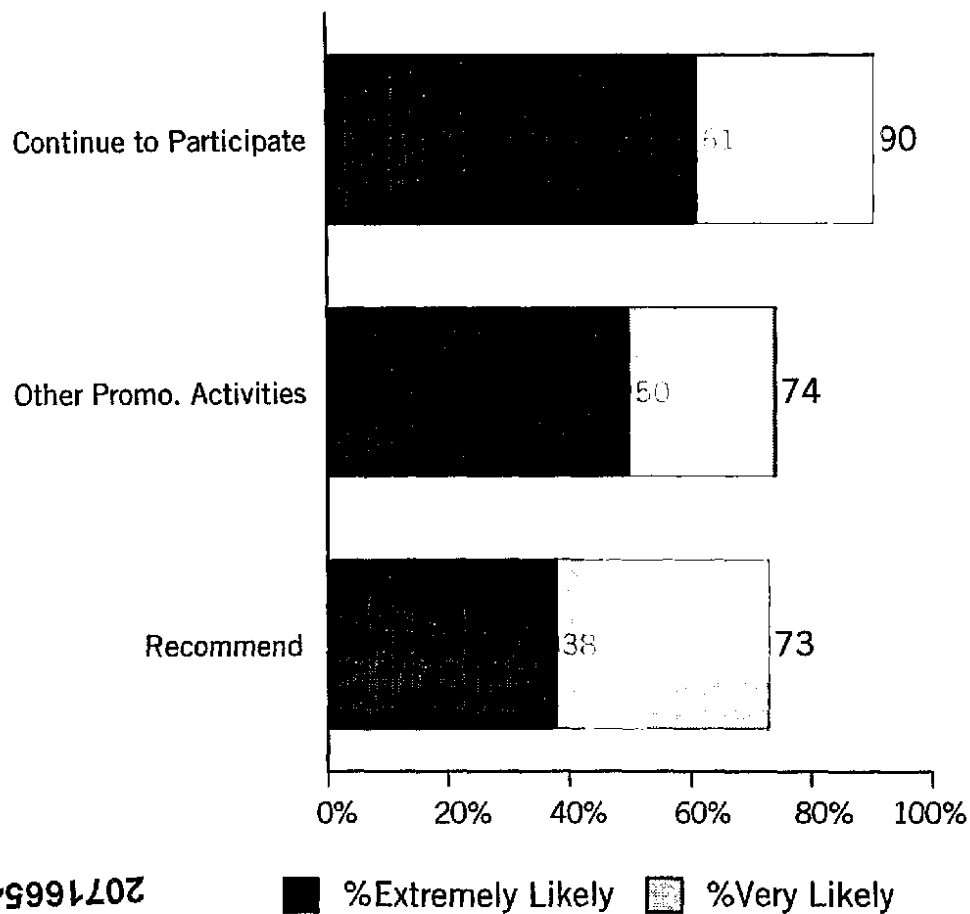
Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Benson & Hedges Model of Redeemer Satisfaction Management



2071665491

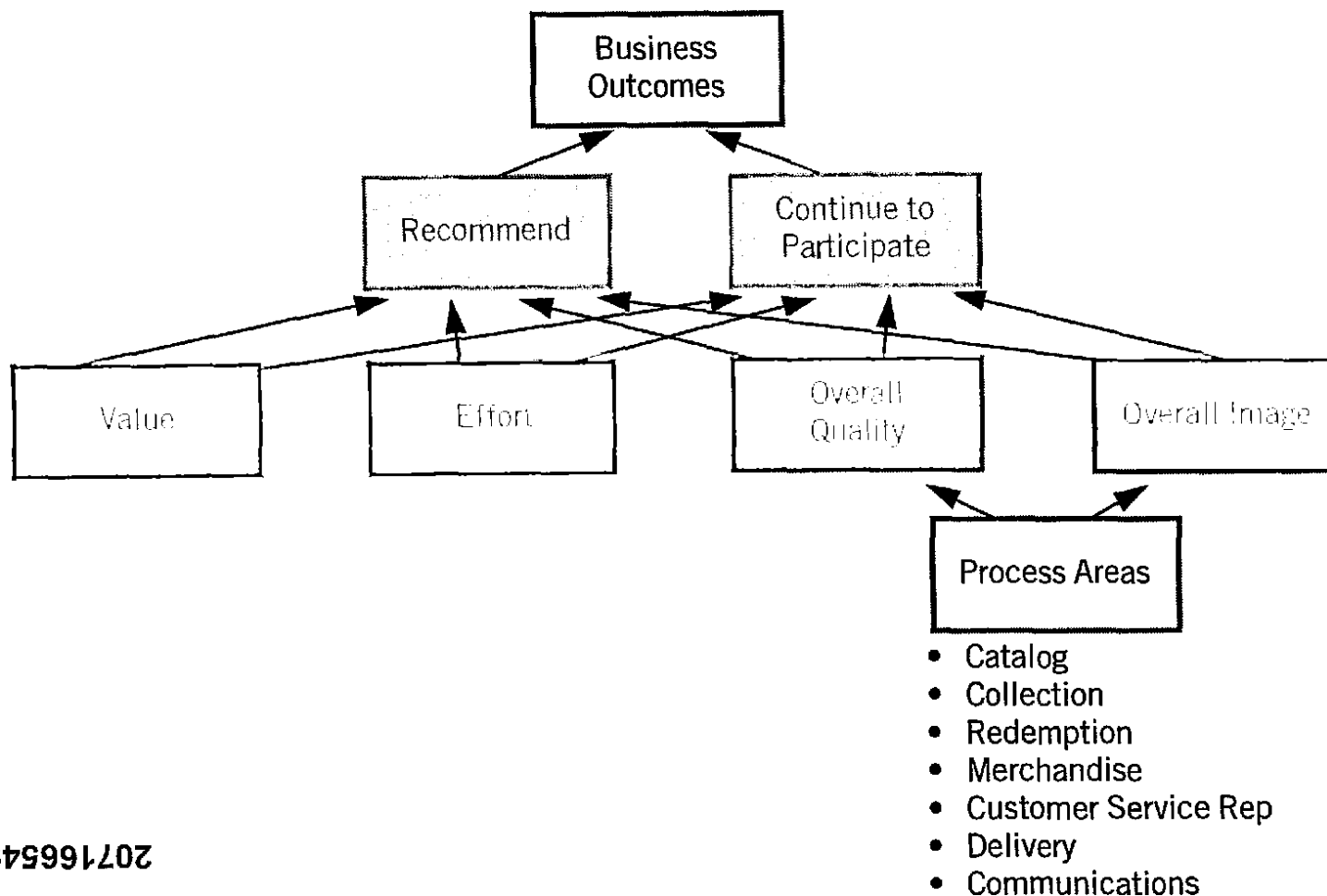
Benson & Hedges Redeemer Commitment



- Benson & Hedges catalog redeemers are highly likely to Continue to Participate in the program.
- Commitment in the form of Recommendation to others is less positive.

p. cc 0

Benson & Hedges Model of Redeemer Satisfaction Management



2071665493

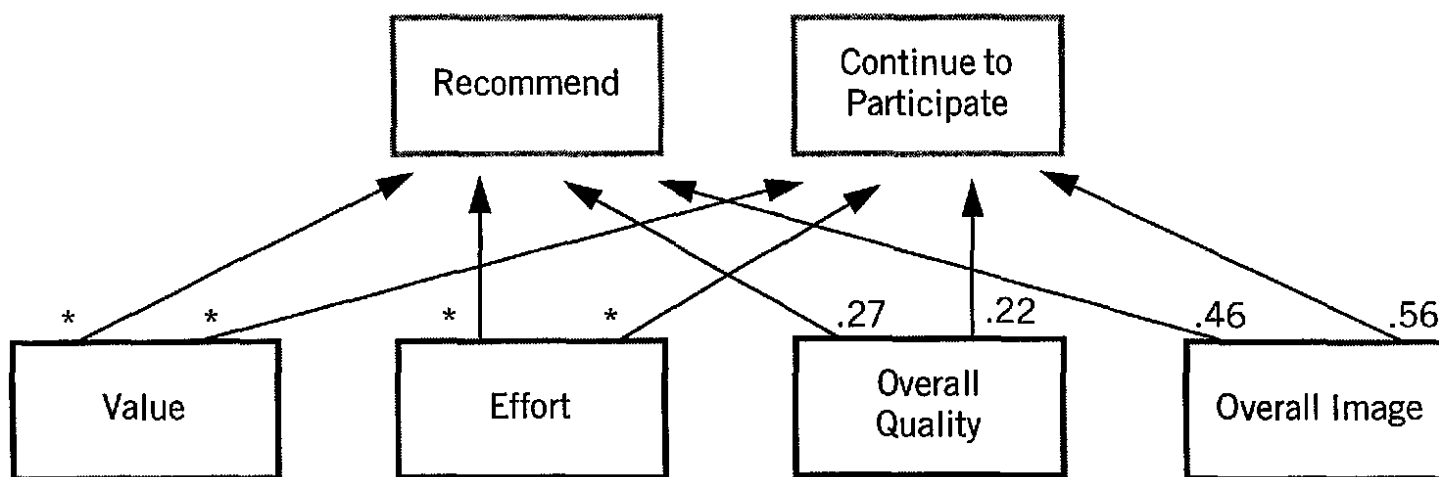
Benson & Hedges

Model of Redeemer Satisfaction Management

- Measures of Commitment, namely Recommend and Continue to Participate, are most strongly driven by Overall Image of the Benson & Hedges catalog program.
- Redeemer Commitment is also driven by Overall Quality of the program.
- However, perceived Value and Effort of the catalog program are not significantly related to future behavior intentions.

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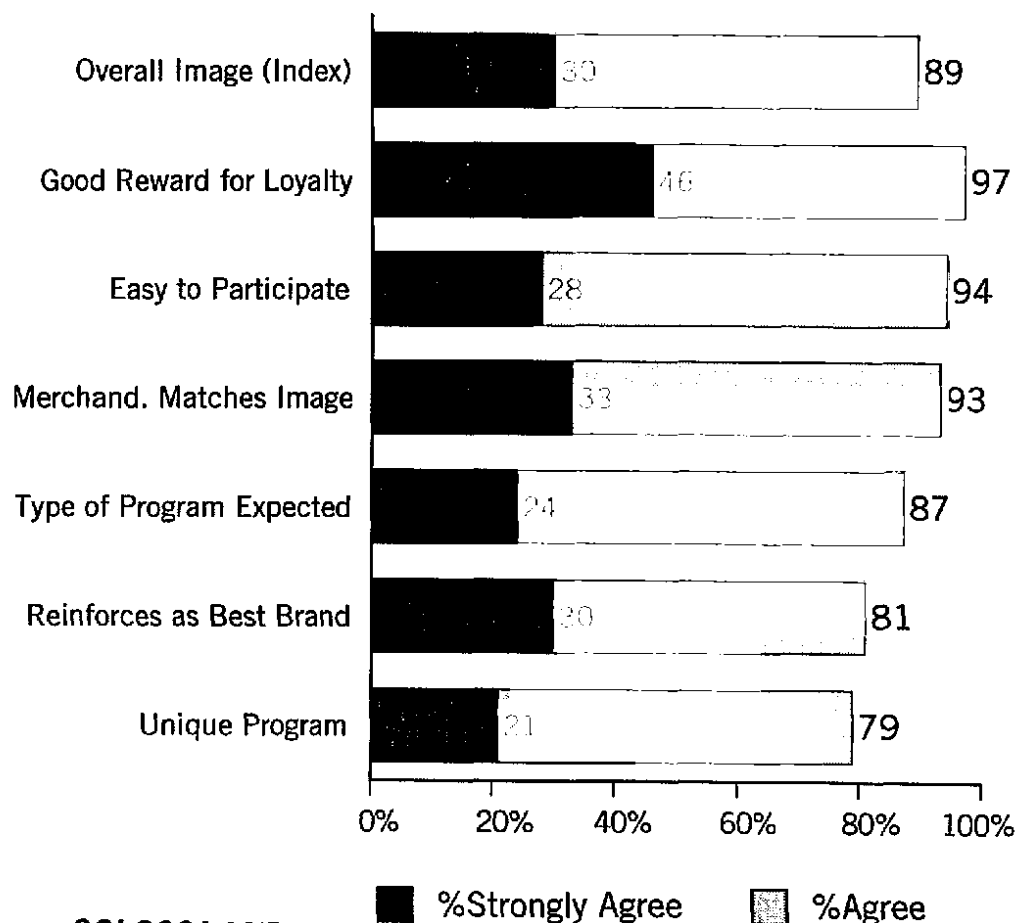
Benson & Hedges Intentions and Attitudes Model



2071665495

* Not statistically significant.

Benson & Hedges Overall Image/Related Images



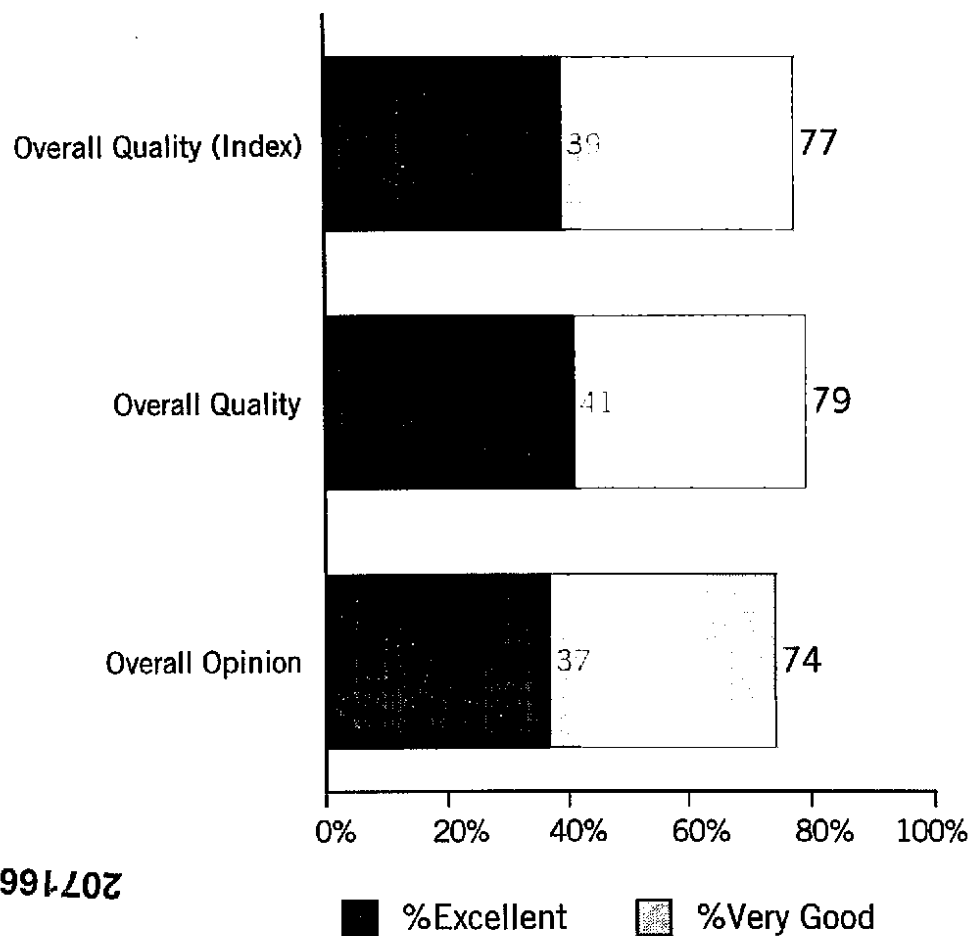
The most positive images related to the Benson & Hedges catalog program are good reward for loyalty, ease of participation, and offering merchandise consistent with brand image.

Note: Overall Image is a composite score of all related images.

2071665496

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Benson & Hedges Overall Program Quality



· Ratings of Overall Quality are very similar to Overall Opinion ratings of the program.

Note: The Overall Quality Index is a composite score of Overall Quality and Overall Opinion.

2071665497

P_0000

Benson & Hedges

Voice of the Customer – Reasons for Overall Quality

· Merchandise and image were the most frequent reason for Overall Quality.

“It’s nice to get something back for the money spent for something else. It’s like a bonus.”

“It is nice for them to recognize their redeemers and give something back as an incentive.”

“It is because the gifts are so great. I’ve never been disappointed.”

“It gives you very high-class items, not junk, not things you don’t need. Good items.”

“I think they give quality products. The promotions are kinda classy. It’s a heavyweight high gloss. Just a good presentation.”

“It [catalog] identifies the product for what it is, and it relates to my lifestyle. It’s casual and fulfilling...”

2071665498

Benson & Hedges

Voice of the Customer – Reasons for Overall Quality (cont'd)

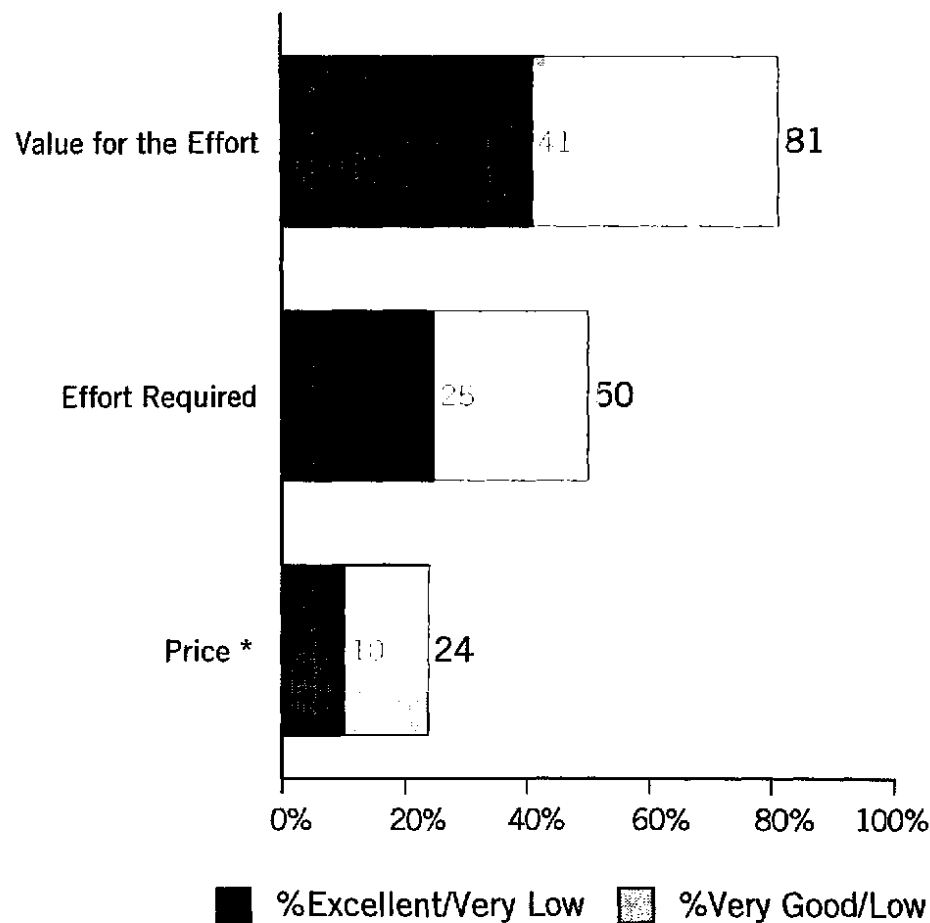
“It is because of the merchandise they offer. The quality is fine. They’re good products but they lack in quantity. Need more of a variety.”

“It is because I usually get my shipment pretty quickly. A lot of times any back orders take a long time to be processed and received.”

“It’s a little slow like when I ordered the robes a month ago. I am still waiting. Of course, they sent me a card telling me because of the great amount of inquiries to our promotion, the order will be late. They offer a good variety. I like what they offer.”

2071665499

Benson & Hedges Overall Program Value



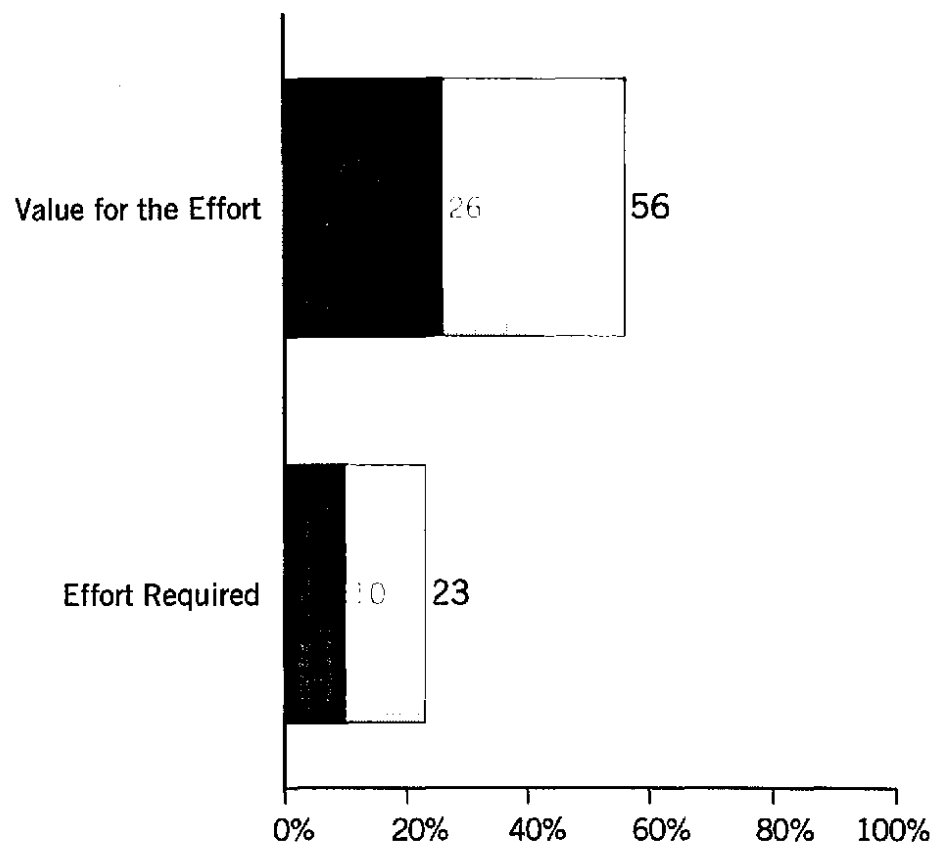
- Value ratings are generally positive, although one-half perceive moderate to high Effort.
- Most discount smokers do *not* perceive low Price based on the program.
- *Price Question: Given the price you pay for Benson & Hedges and the opportunity to redeem for free merchandise, would you consider the price to participate in this program to be very low priced, low priced, moderately priced, high priced, or very high priced?*

* Among Discount Smokers Only.

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Benson & Hedges Program Value Relative to Other Programs



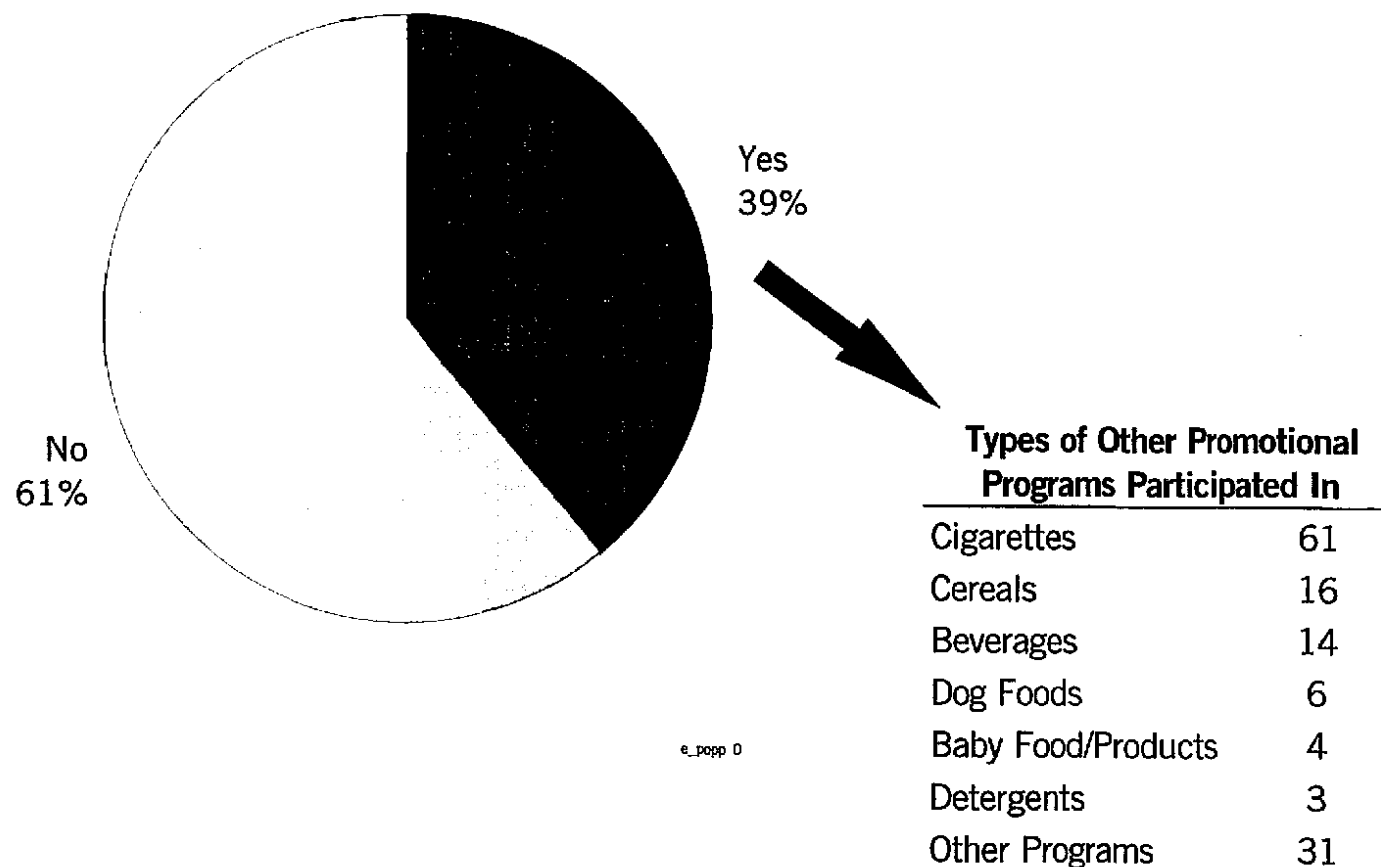
- The Value of this program exceeds the majority of other programs in which redeemers also participate.
- Other promotional programs include mainly cigarettes, as well as cereals and beverages.

■ %Much Better/Lower ▨ %Somewhat Better/Lower

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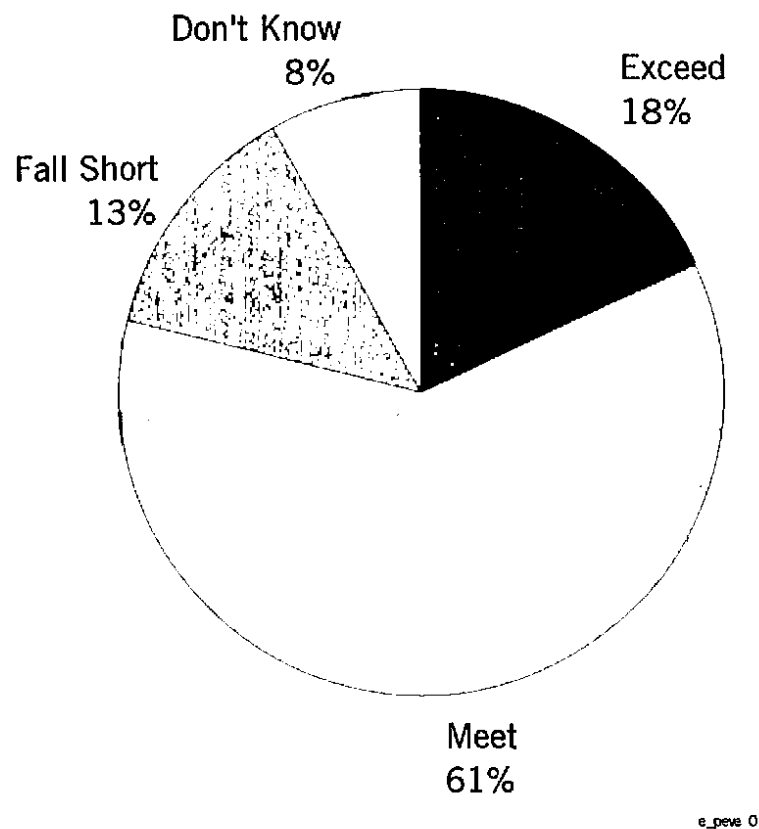
p_prop 0

Benson & Hedges Participation in Other Promotional Programs



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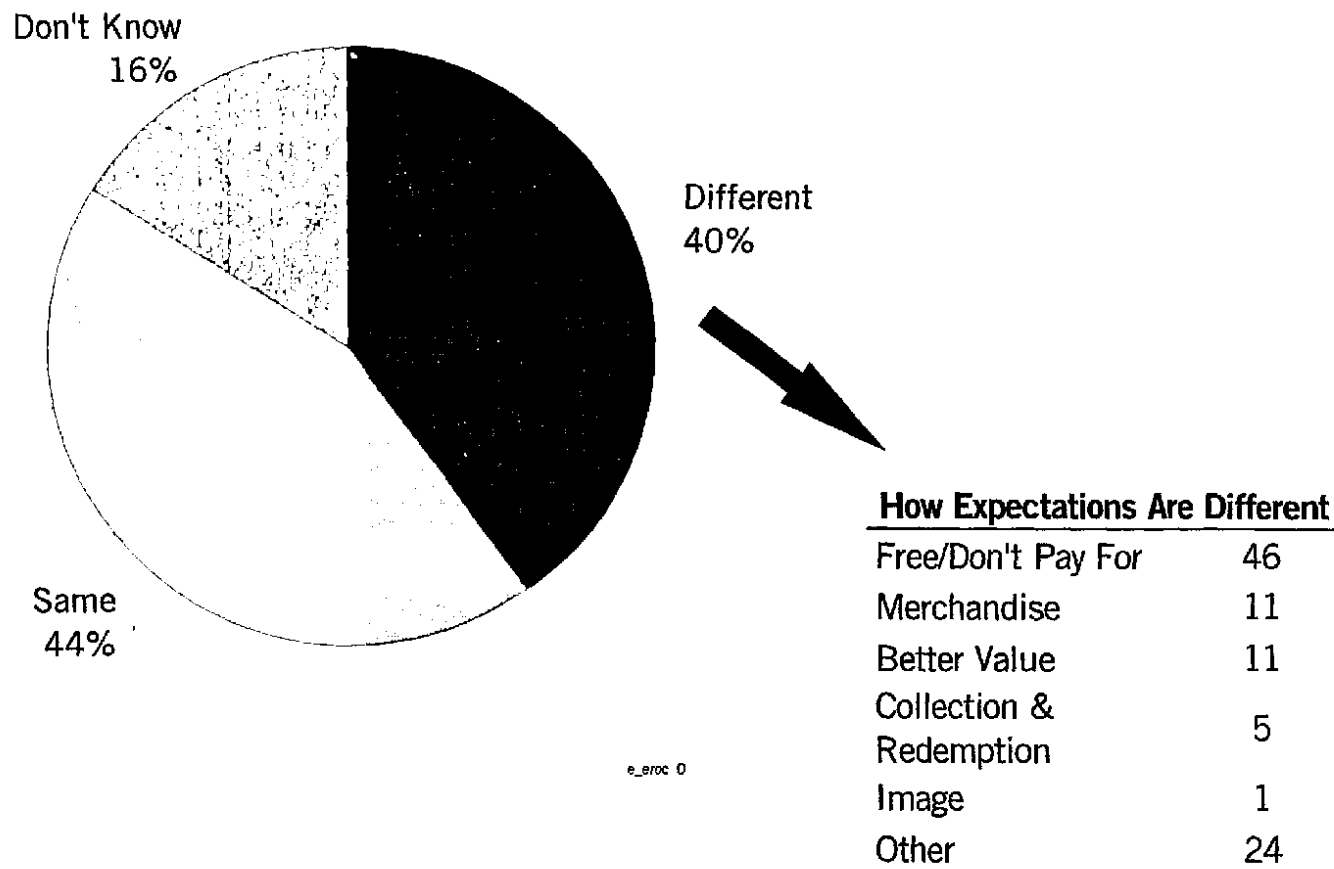
Benson & Hedges Program Experience Versus Expectations



- Program expectations are met or exceeded among most redeemers.
- However, expectations are somewhat different versus other catalogs.

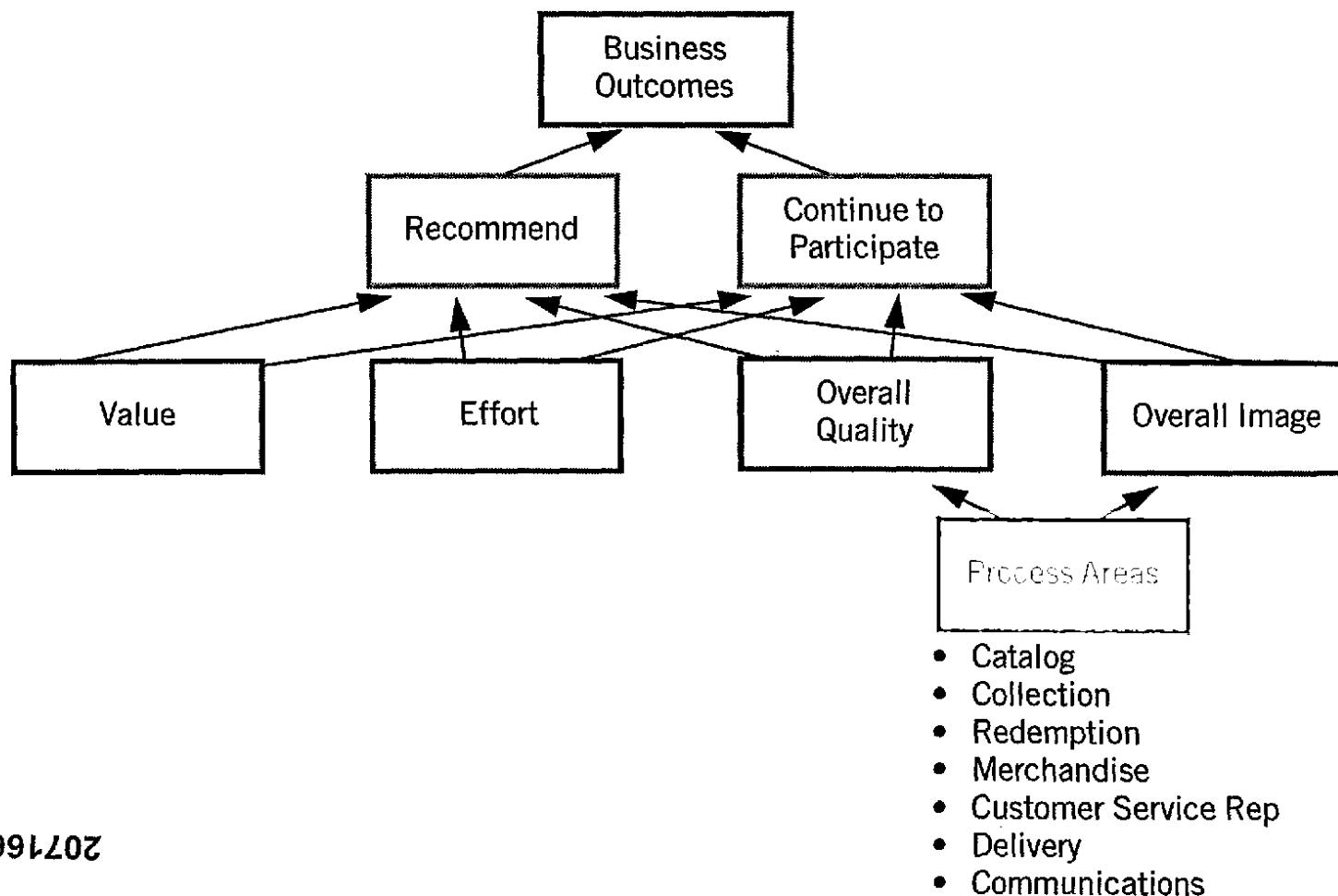
2071665503

Benson & Hedges Expectations Relative to Other Catalogs



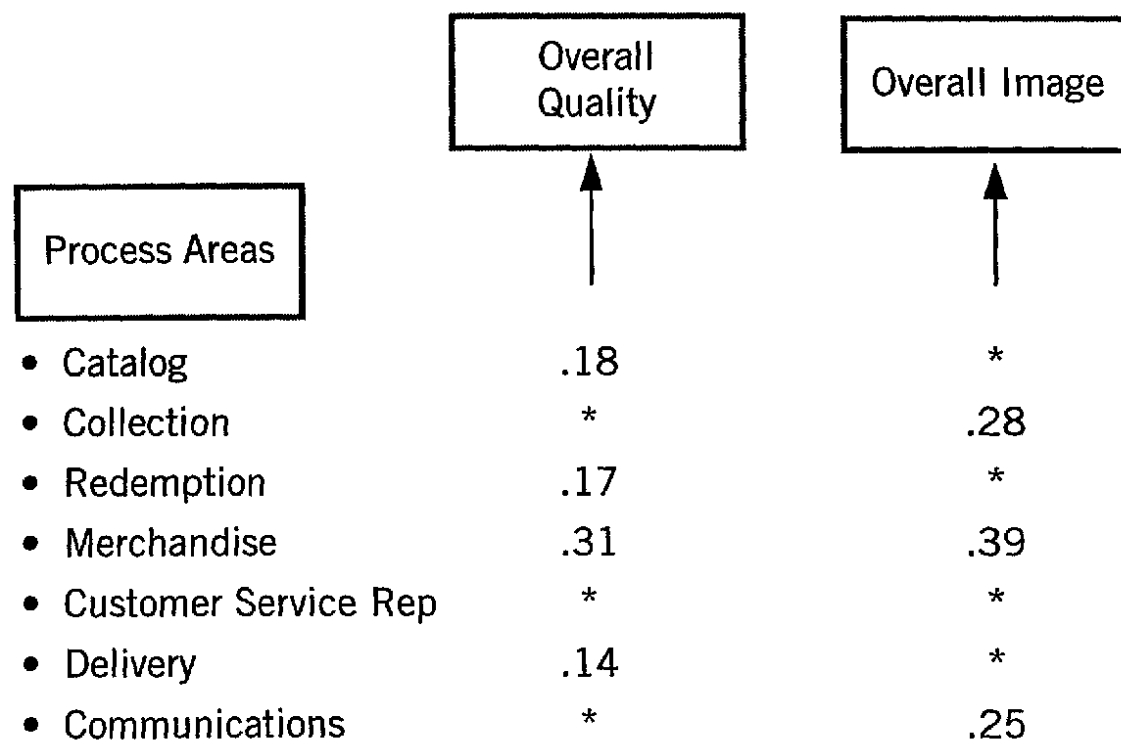
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Benson & Hedges Model of Redeemer Satisfaction Management



2071665505

Benson & Hedges Direct Effects – Process Areas and Attitudes



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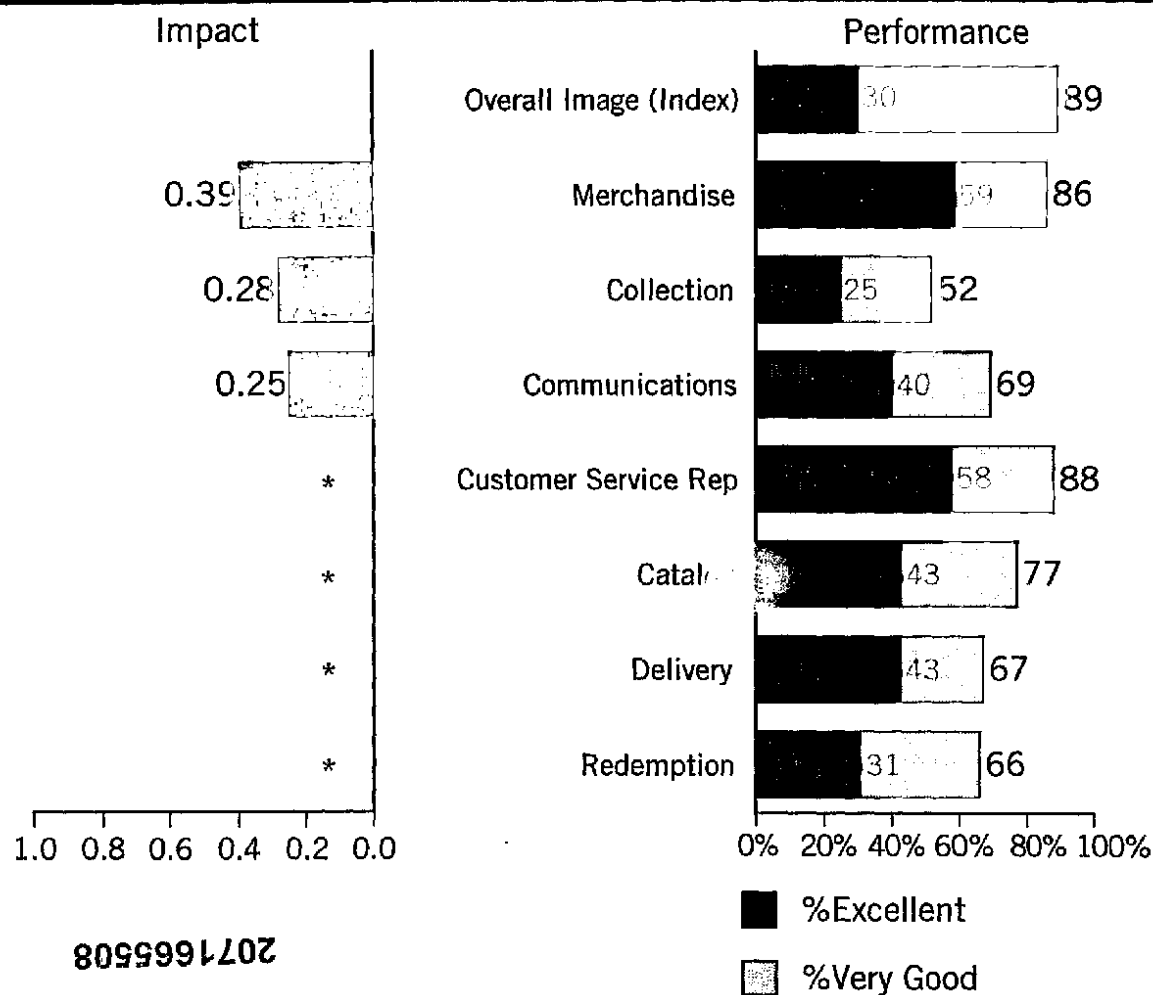
* Not statistically significant.

Benson & Hedges Model of Redeemer Satisfaction Management

- Various aspects of redeemer experience and interaction directly impact overall perceptions of the Benson & Hedges catalog program.
- However, these various process areas relate very differently to Overall Program Quality and Overall Program Image.
- Although Merchandise is the key driver of both Overall Quality and Overall Image, other process areas impact only one of these two overall perceptions.
 - » Overall Quality is driven more by the mechanics and deliverables of the program (Merchandise, Catalog, Redemption, Delivery).
 - » Overall Image is also driven by Merchandise *and* less tangible aspects of the program (effort for Collection, Communications.)

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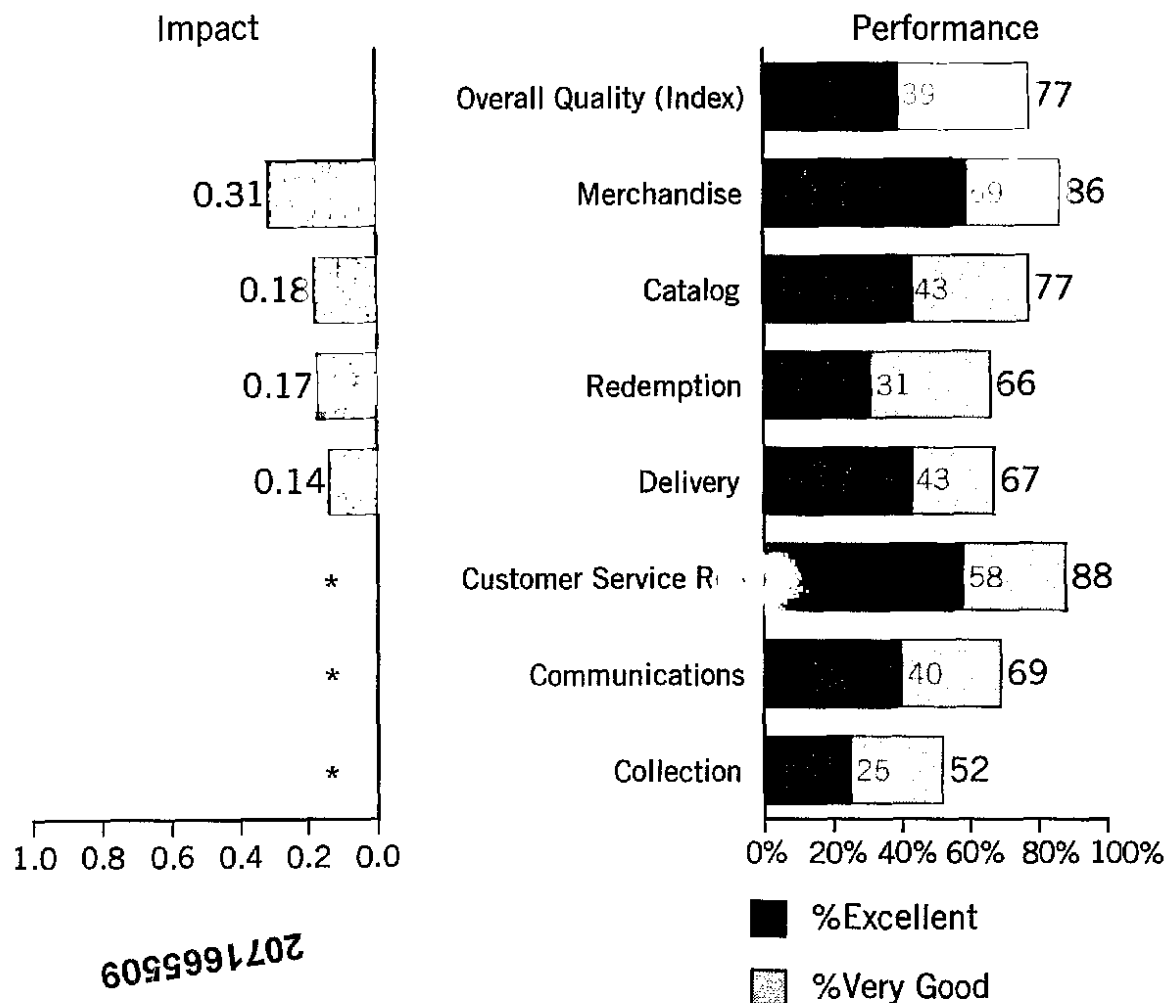
Benson & Hedges Impact/Performance – Overall Image



- Merchandise is the primary driver of Overall Image.
- Collection and Communications, which also strongly impact Overall Image, are key performance improvement opportunities.

* Not statistically significant.

Benson & Hedges Impact/Performance – Overall Quality



As with Overall Image, Merchandise is the strongest driver of Overall Quality, followed by catalog.

Redemption and Delivery, which also impact Overall Quality, show room for improvement.

* Not statistically significant.

Benson & Hedges

Total Effects – Process Areas on Commitment

- Based on the model of CSM, process areas are directly related to both Overall Quality and Overall Image. In order to assess the combined impact of these various factors of redeemer experience, total effects were calculated to link these process areas directly with Redeemer Commitment.
- Merchandise is the primary driver of future behavior, followed by Collection, Communications, and the Catalog.
 - » Although Merchandise performance is already fairly high, continued improvement in this area will have the most positive impact on continued usage and recommendation behavior.
 - » As highlighted in previous sections, Collection and Communications show much room for improvement.
 - » Further catalog performance improvements may enhance recommendation behavior.

2071665510

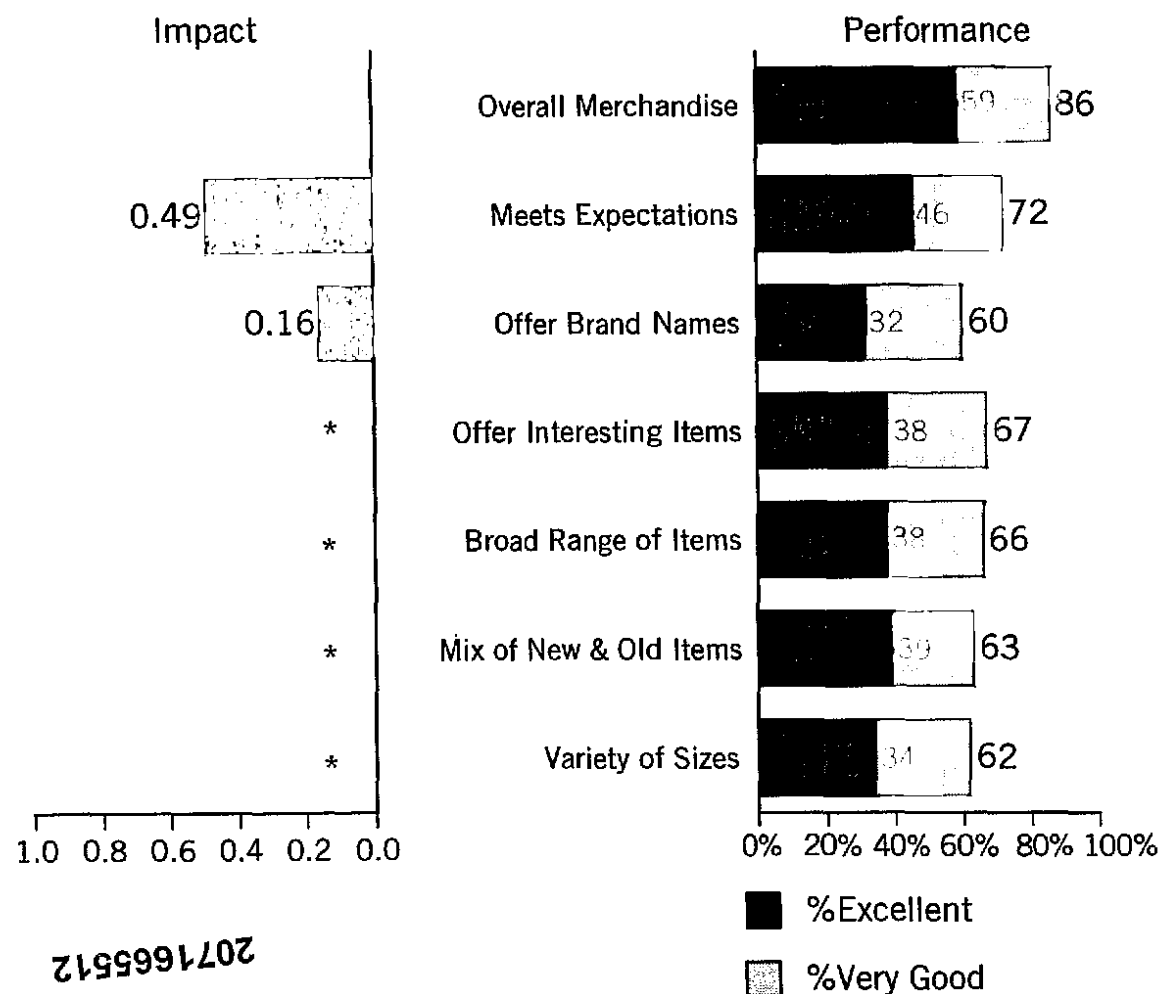
Benson & Hedges Total Effects – Process Areas on Commitment

| | Continue | Recommend |
|------------------|----------|-----------|
| Merchandise | 0.26 | 0.23 |
| Collection | 0.16 | 0.13 |
| Communications | 0.14 | 0.12 |
| Catalog | * | 0.06 |
| Redemption | * | * |
| Customer Service | * | * |
| Delivery | * | * |

*Non-significant

2071665511

Benson & Hedges Impact/Performance – Merchandise



Meeting merchandise expectations is the key driver of overall Merchandise quality.

* Not statistically significant.

Benson & Hedges Voice of the Customer – Merchandise

“Such a wide variety to choose from.”

“I have ordered several things from them, and they are of good quality. They look good, they wear well, and have lasted.”

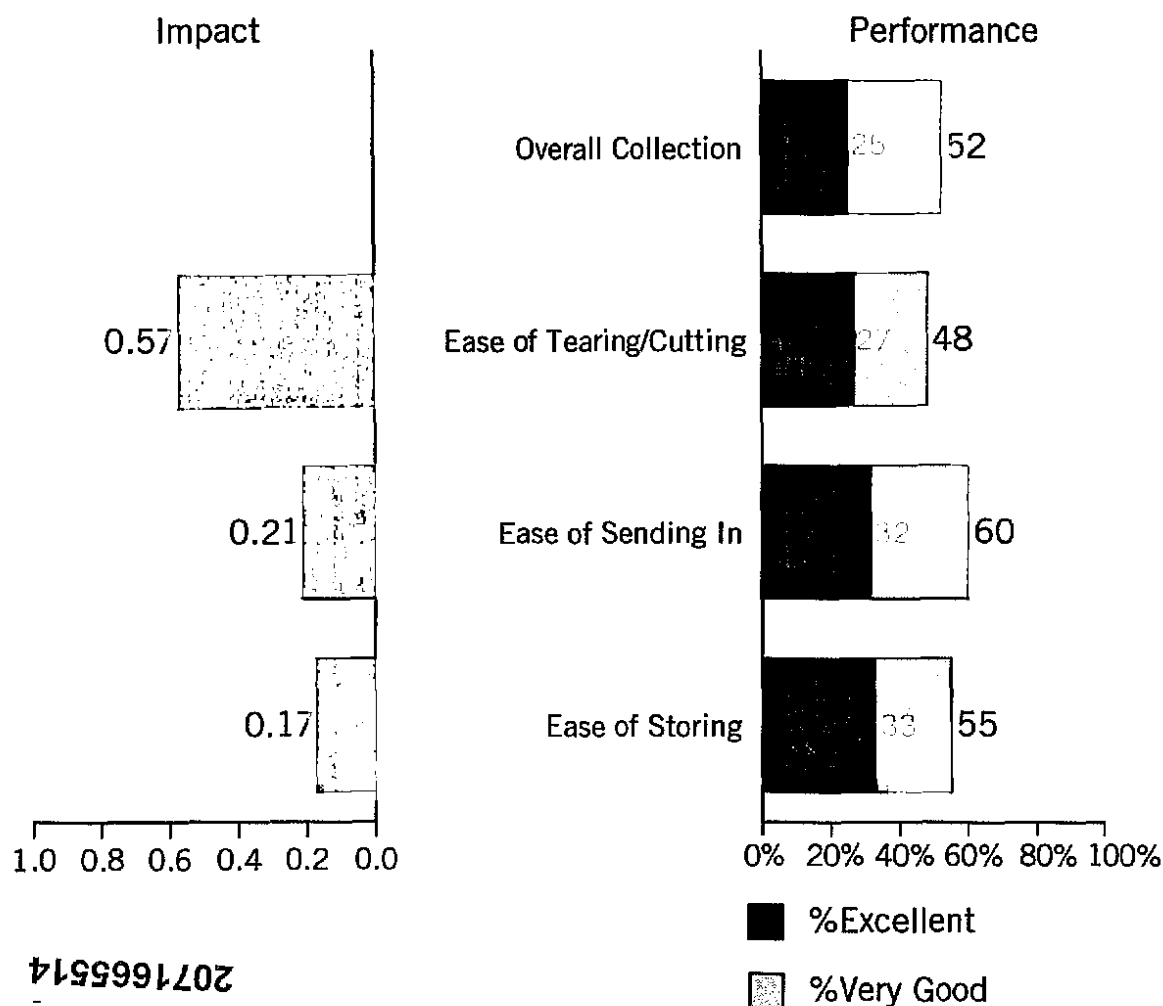
“It is because they offer really nice stuff. The quality is really great. For instance, the peacoats and the robes are the same as what is offered in the high-cost department stores.”

“That they could expand and offer more items and ask for a smaller amount of UPC's. Would like to use for gift items.”

2071665513

Benson & Hedges

Impact/Performance – Collection of UPC's



· All aspects of collecting UPC's impact overall perceptions of Collection.

· However, ease of tearing/cutting UPC's is the strongest driver of Collection.

Benson & Hedges

Voice of the Customer – Collection of UPC's

“If I am going to smoke anyway, I get the UPC's off the packages of the cigarettes, and it's no problem cutting them off and saving them to get free merchandise.”

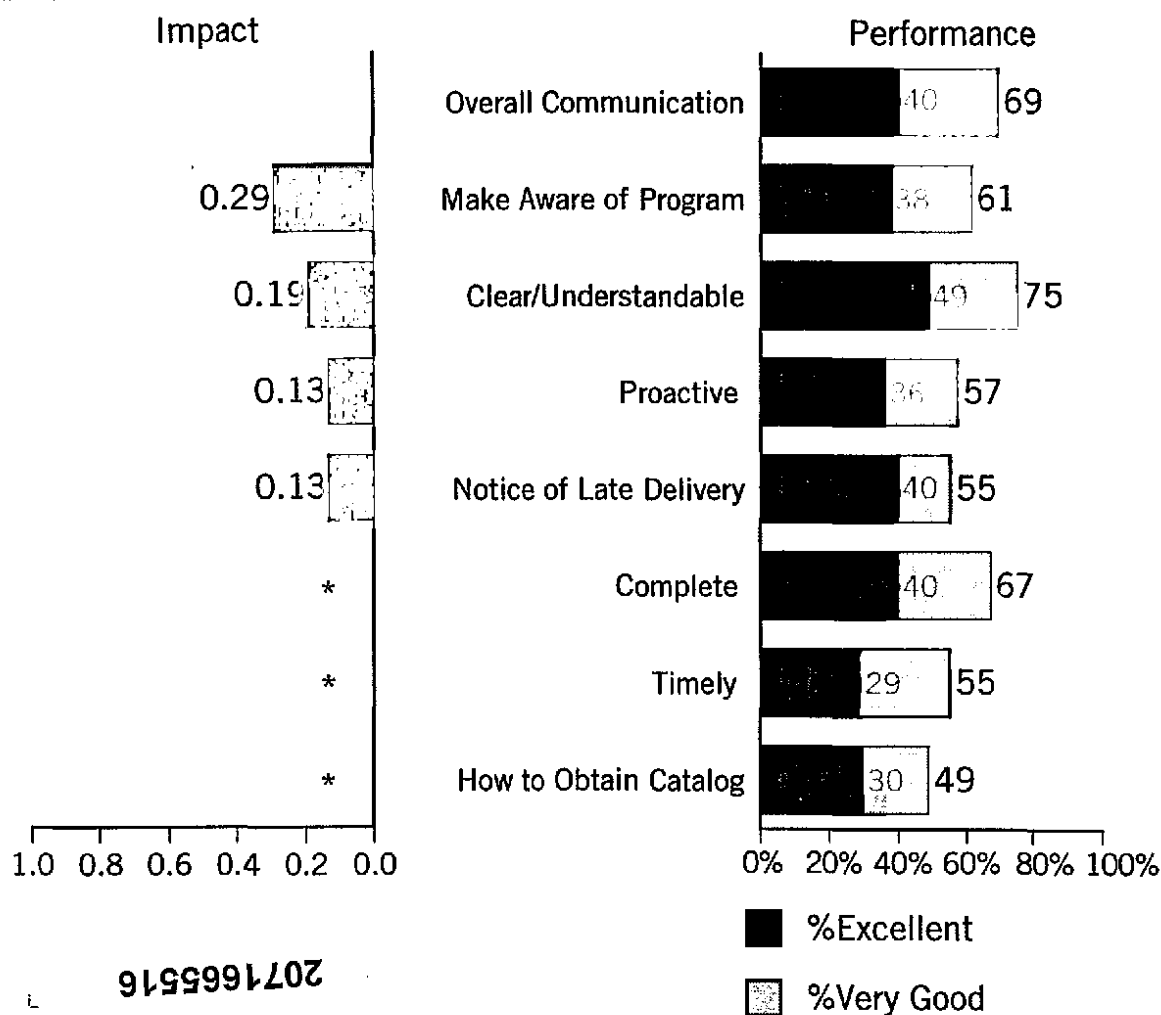
“Make it easier to send in the UPC's. Have a sticky page to stick them to or something.”

“There has to be an easier way to get the UPC's off of the package.”

“I think they need to go to carton UPC's instead of pack UPC's or accept both. A carton equals 10 UPC's. It would just be a lot more easier.”

2071665515

Benson & Hedges Impact/Performance – Communications



• Making redeemers aware of the program is the primary driver of Communications performance, followed by being clear/understandable.

* Not statistically significant.

Benson & Hedges Voice of the Customer – Communications

“More personalized responses.”

“Direct mailing to those who participate.”

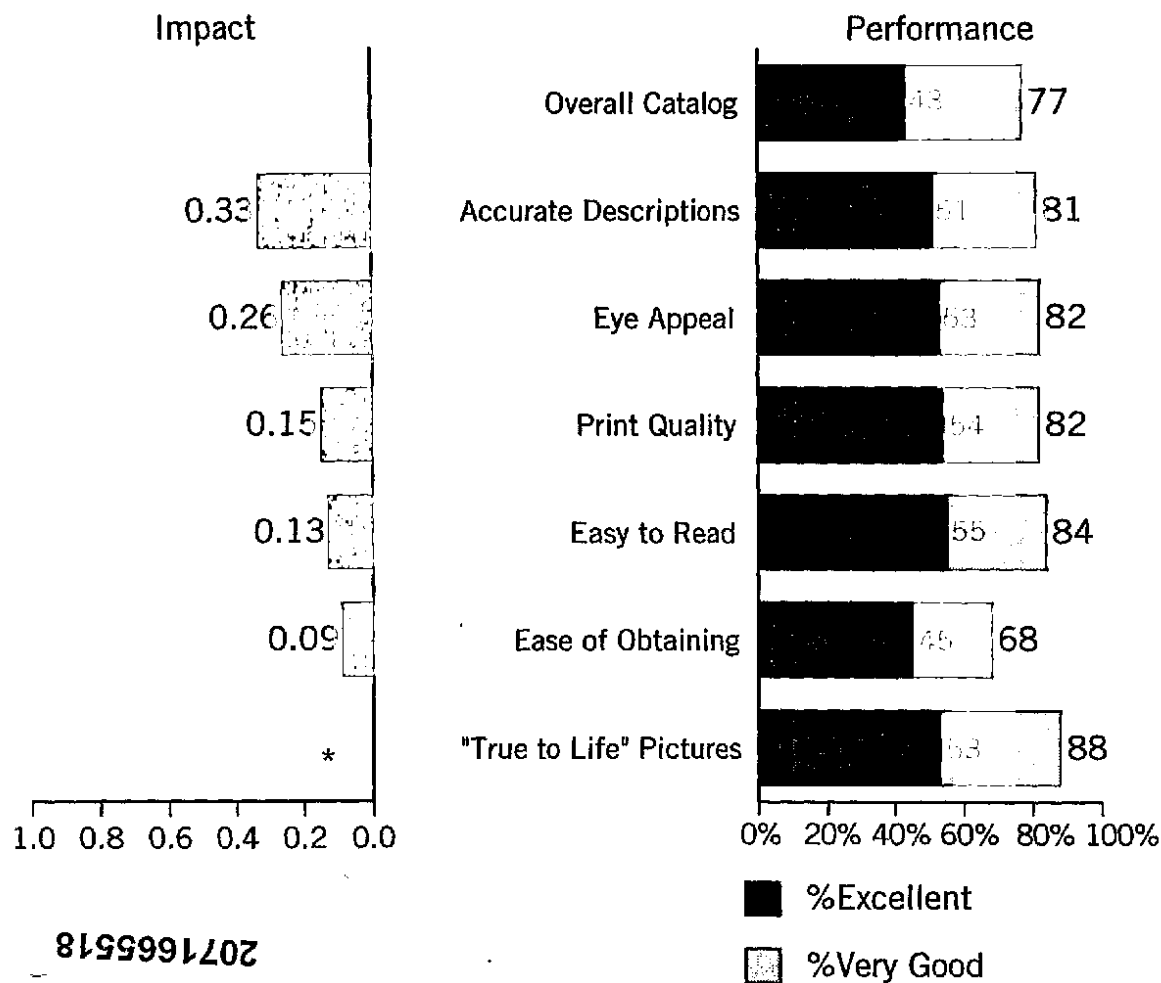
“I think the thing is that once you order something, you should get a catalog. You should make it clearer on how long you have to use your bonus coupons. Also, make it clearer on how many bonus coupons you can use at one time. I sent in more than one bonus coupon, and they had to send it back because of it.”

“If a delivery is going to be late or on back order, notify the person with a note or postcard.”

“I was to receive an item in six to eight weeks, and it has been over three months ago, and I have not received it. The item was ordered August 22. When I called them, that's when I found out it was on backorder, and previous to this, there was no communication. I called at the end of eleven weeks. If we're talking about communication, it's poor.”

2071665517

Benson & Hedges Impact/Performance – Catalog



Catalog performance is impacted mainly by the accuracy of descriptions, as well as eye appeal.

* Not statistically significant.

Benson & Hedges Voice of the Customer – Catalog

“When you compare the other brands and catalogs, they don’t compare to Benson & Hedges.”

“It identifies the product for what it is, and it relates to my lifestyle. It’s casual and fulfilling. It probably deals with social situations and general enjoyment of smoking a cigarette.”

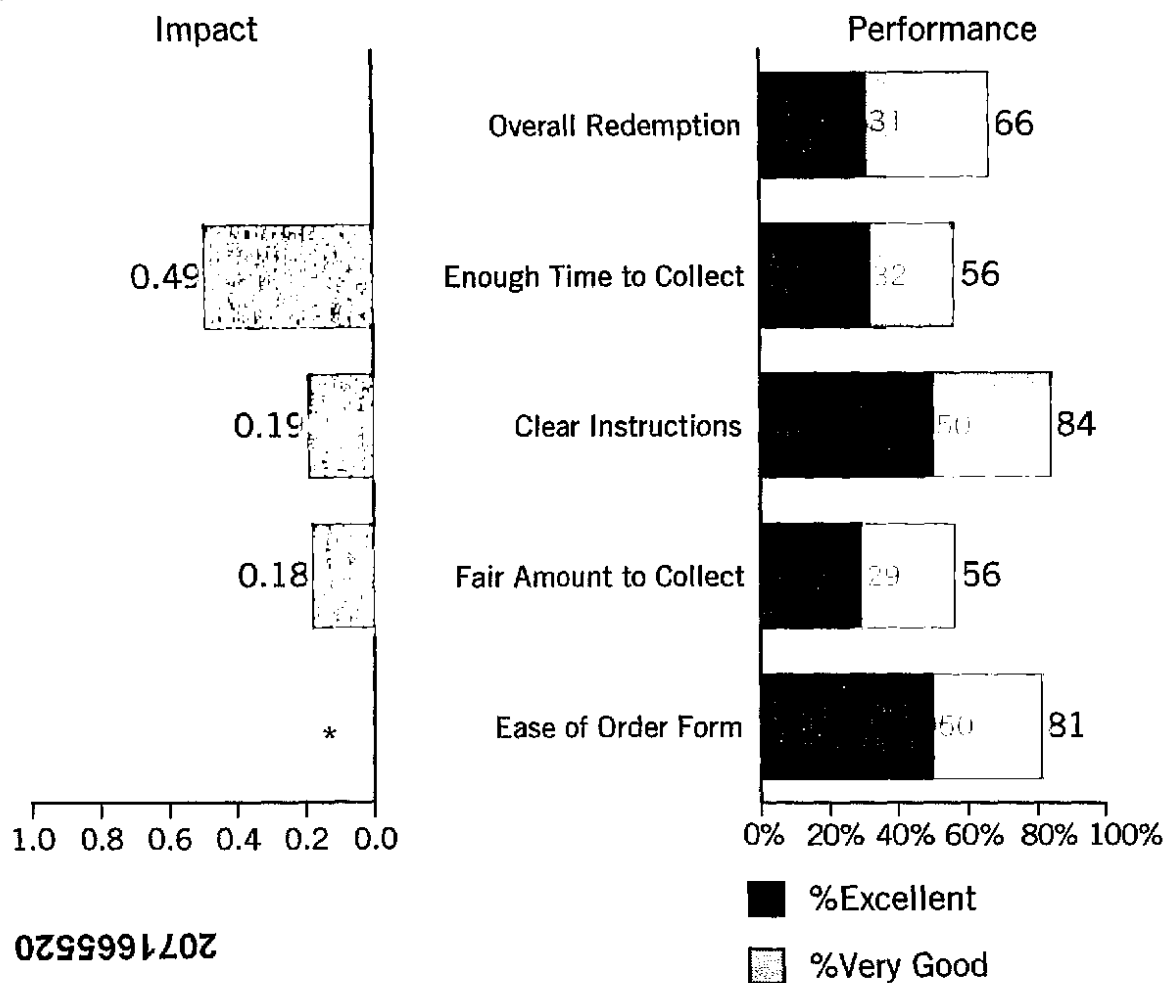
“Put catalogs in the stores and things I have not seen before in the store.”

“They need to make the catalog easier, more accessible.”

“...They don’t send me enough catalogs. Would you tell them to send me more catalogs?”

2071665519

Benson & Hedges Impact/Performance – Redemption Process

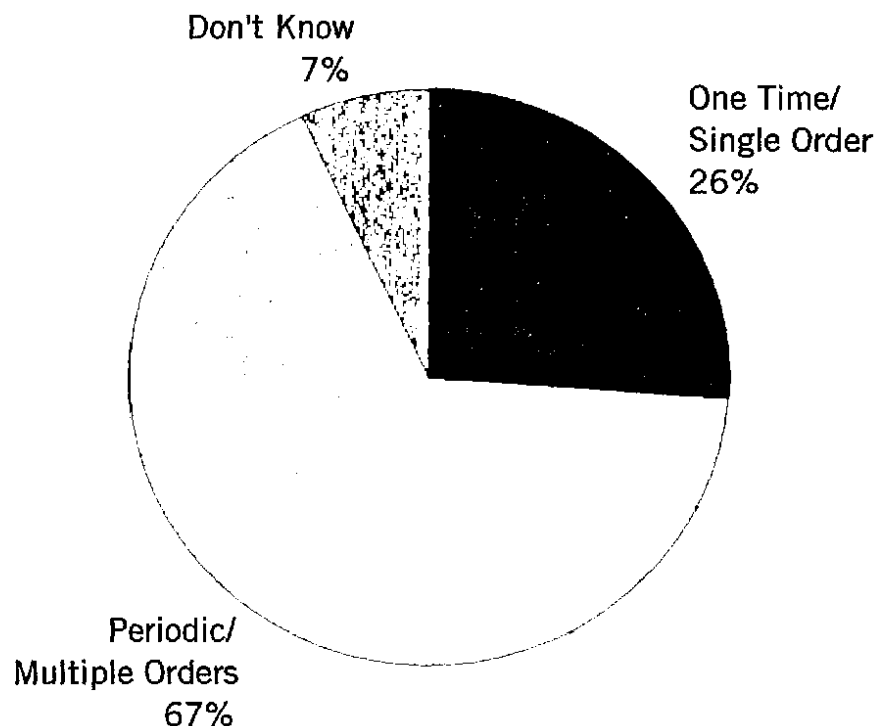


Time allotted for collection primarily drives overall perceptions of the Redemption process.

* Not statistically significant.

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Benson & Hedges One-Time Versus Periodic Redemption



- The majority of catalog participants send their UPC's in for merchandise periodically during the program.

e_otpx 0

2071665521

Benson & Hedges

Voice of the Customer – Redemption Process

“I just brought a house coat for \$6.75, postage and handling.
Where else could you do something like that?”

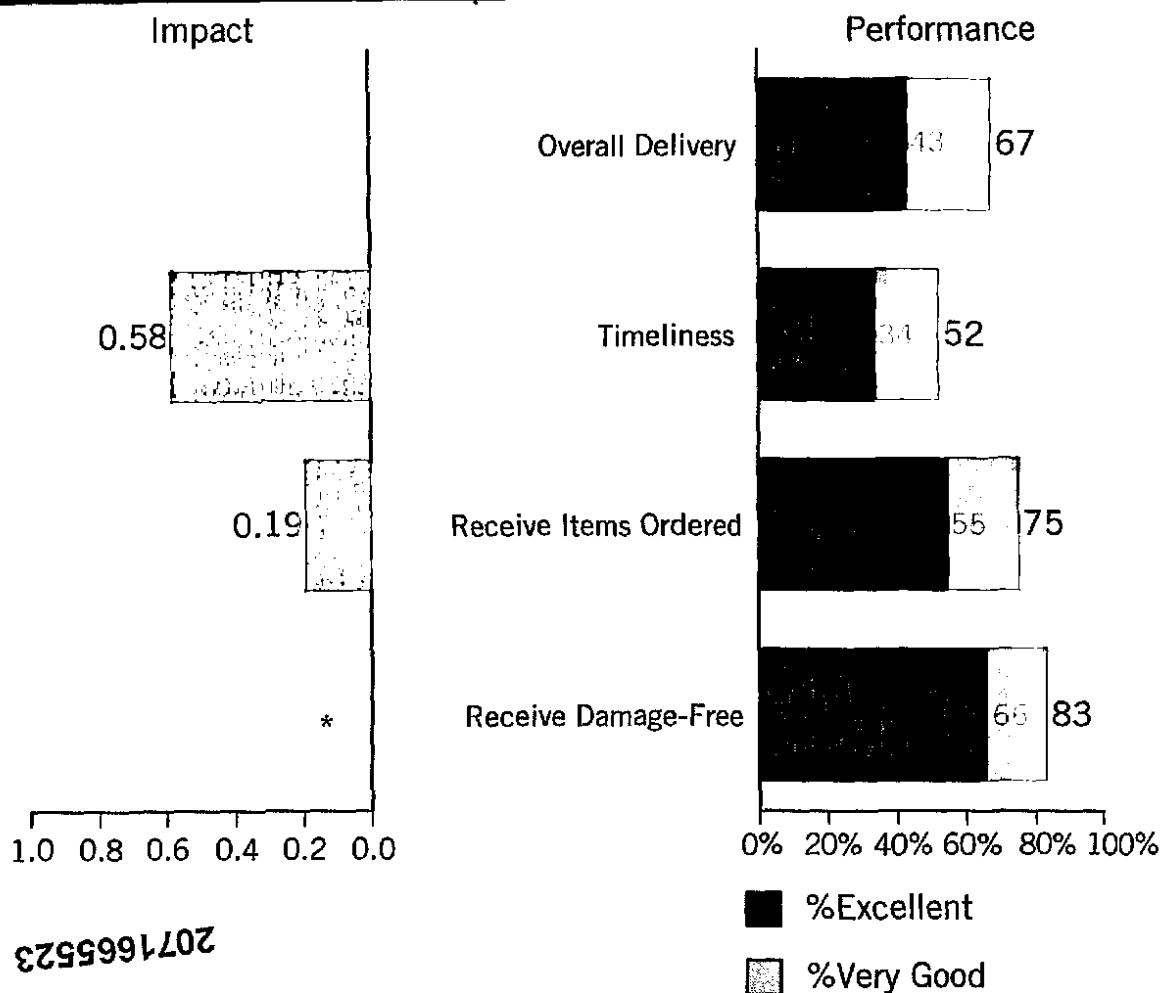
“It’s a good deal. I smoke them anyway, so all you have to do is
cut those UPC’s off and send postage and handling in.”

“Some of the products are costly, the UPC amounts. The time
limits need to be expanded.”

“Lower the amount of UPC’s you have to collect.”

2071665522

Benson & Hedges Impact/Performance – Delivery



- Not surprisingly, timeliness is the main driver of Delivery performance.
- However, less than one-third receive delivery within 4 weeks, and only about half receive within 8 weeks.

* Not statistically significant.

Benson & Hedges

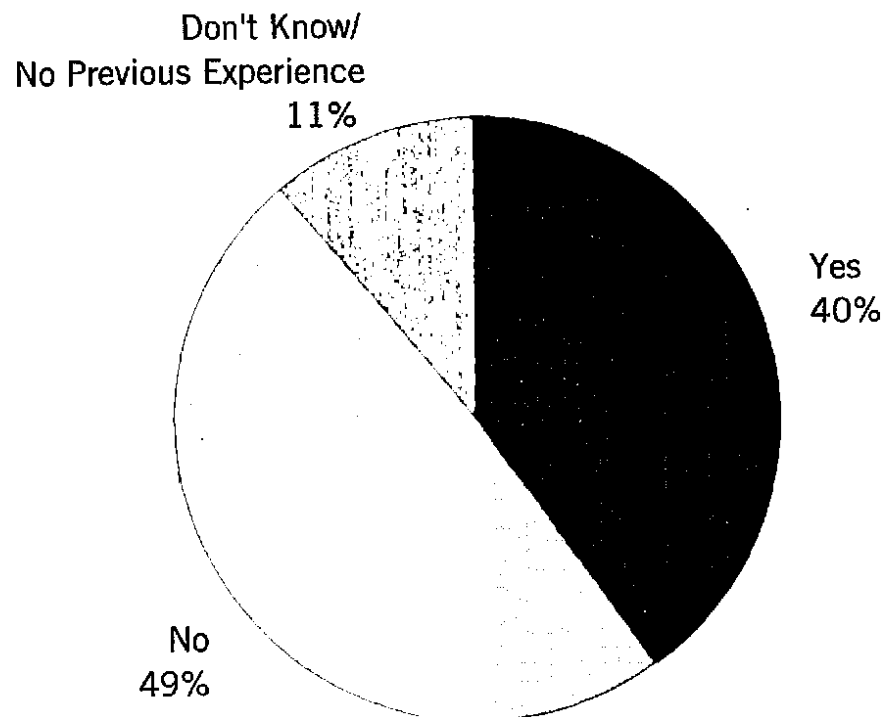
Delivery Time/Number of Shipments for Last Order

| Order Received | Benson & Hedges | Marlboro (June 1995) |
|------------------------------|--------------------|-------------------------|
| 1-3 weeks | 18 | 10 |
| 4 weeks | 13 | 15 |
| 4 weeks or less (net) | 31 | 26 |
| 5-8 weeks | 25 | 40 |
| 8 weeks or less (net) | 56 | 66 |
| 9-12 weeks | 12 | 14 |
| Over 12 weeks | 3 | 9 |
| Not received yet/Don't know | 29 | 12 |

| # of Shipments | Benson & Hedges | Marlboro (June 1995) |
|-----------------------------|--------------------|-------------------------|
| One shipment | 48 | 37 |
| Two shipments | 28 | 59 |
| Not received yet/Don't know | 24 | 4 |

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Benson & Hedges Improvement Over Last Order?

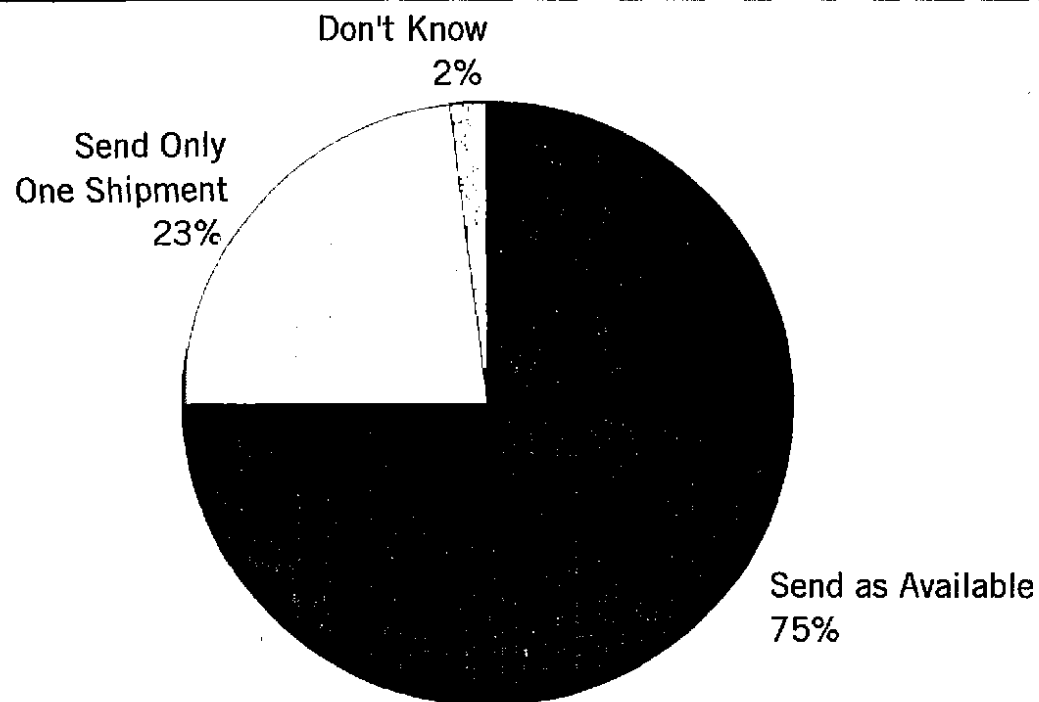


- Delivery timing has improved for some past participants, although the majority did not recognize any improvement.

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Benson & Hedges Preference for Back Orders

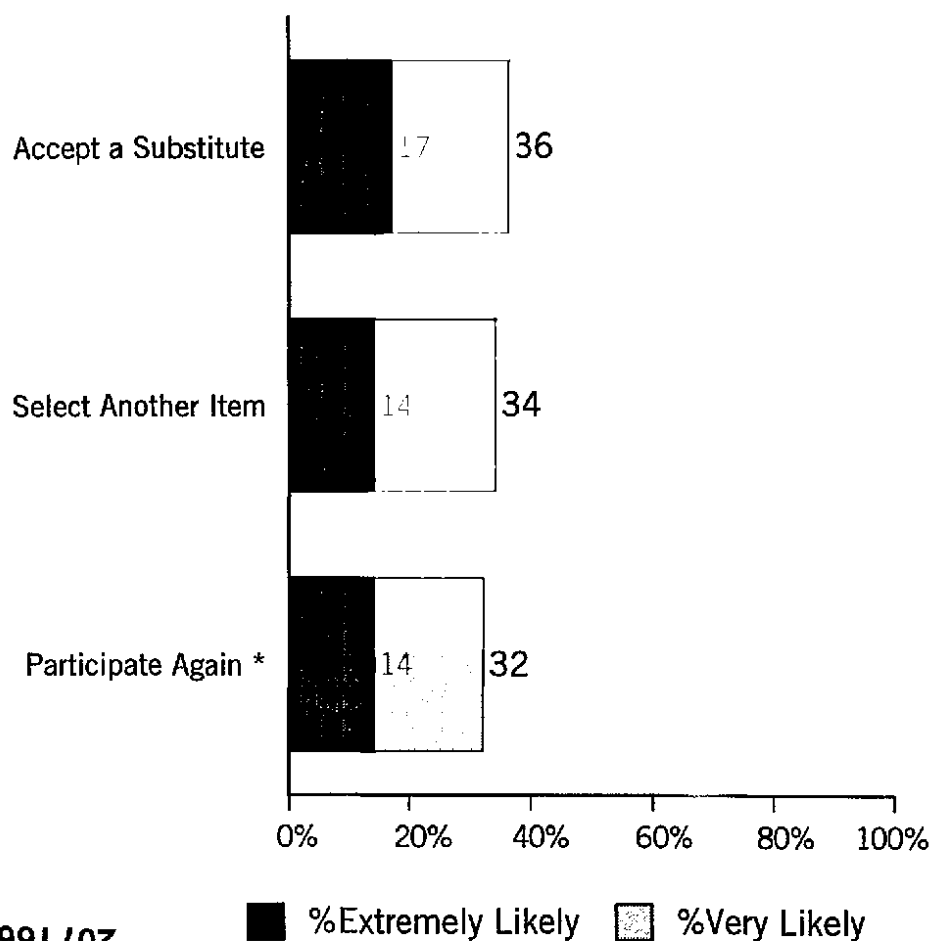


When encountering back-order situations, redeemers generally wish to receive as many items as are available, with back-ordered items sent as soon as possible in a later shipment.

e_pbo 0

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Benson & Hedges Behavior Outcomes for Back-Order Situations



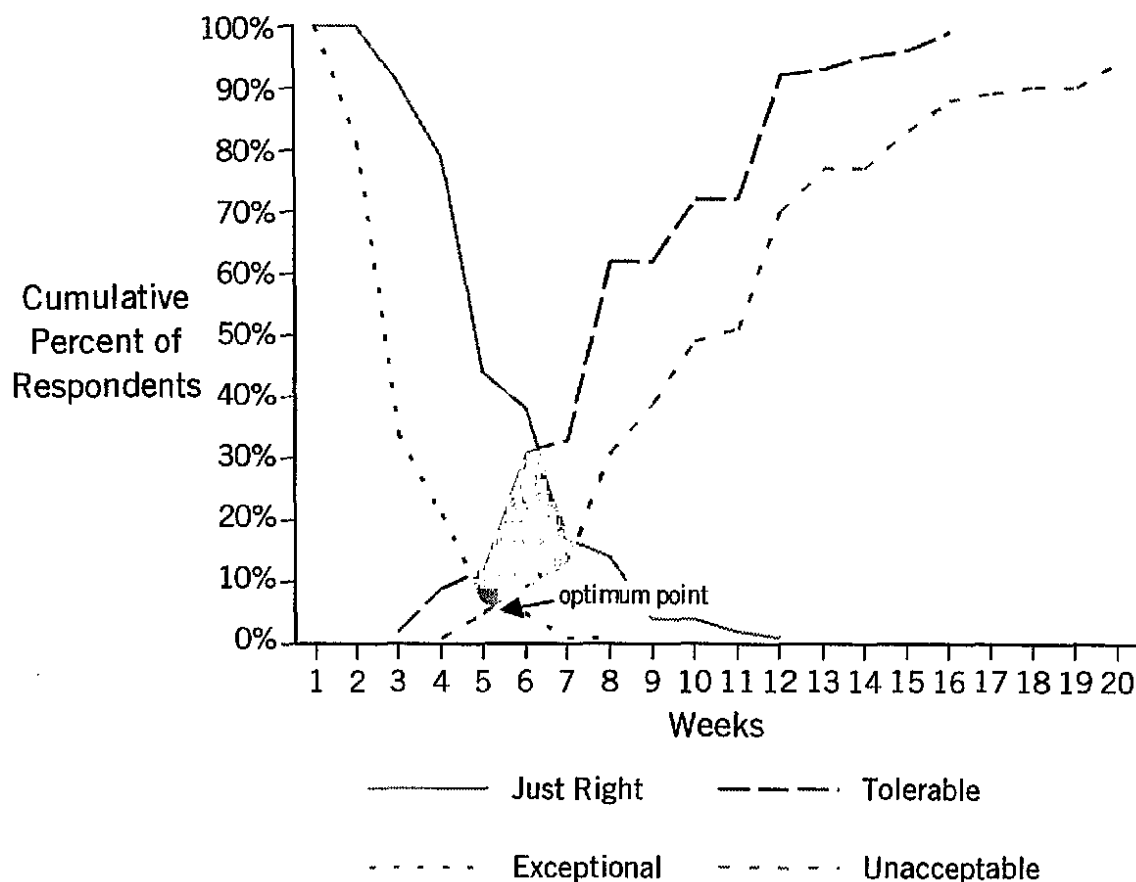
· Upon experiencing back-order situations, only about one-third of redeemers indicated high likelihood for item flexibility or repeat participation.

207166527

p_bofbos0

* Based on possibly receiving a substitute item.

Benson & Hedges Time Sensitivity – Delivery



- Redeemer expectations of delivery timing suggest that optimum delivery time is just over 5 weeks.
- The range of acceptable delivery is 4½ to 7 weeks.

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ts_d 1

Benson & Hedges Voice of the Customer – Delivery

“I had ordered some things and had almost forgotten about them because it took so long to get the order.”

“I ordered some robes over the summer. I expected them sometime in September, and I still haven’t gotten them.”

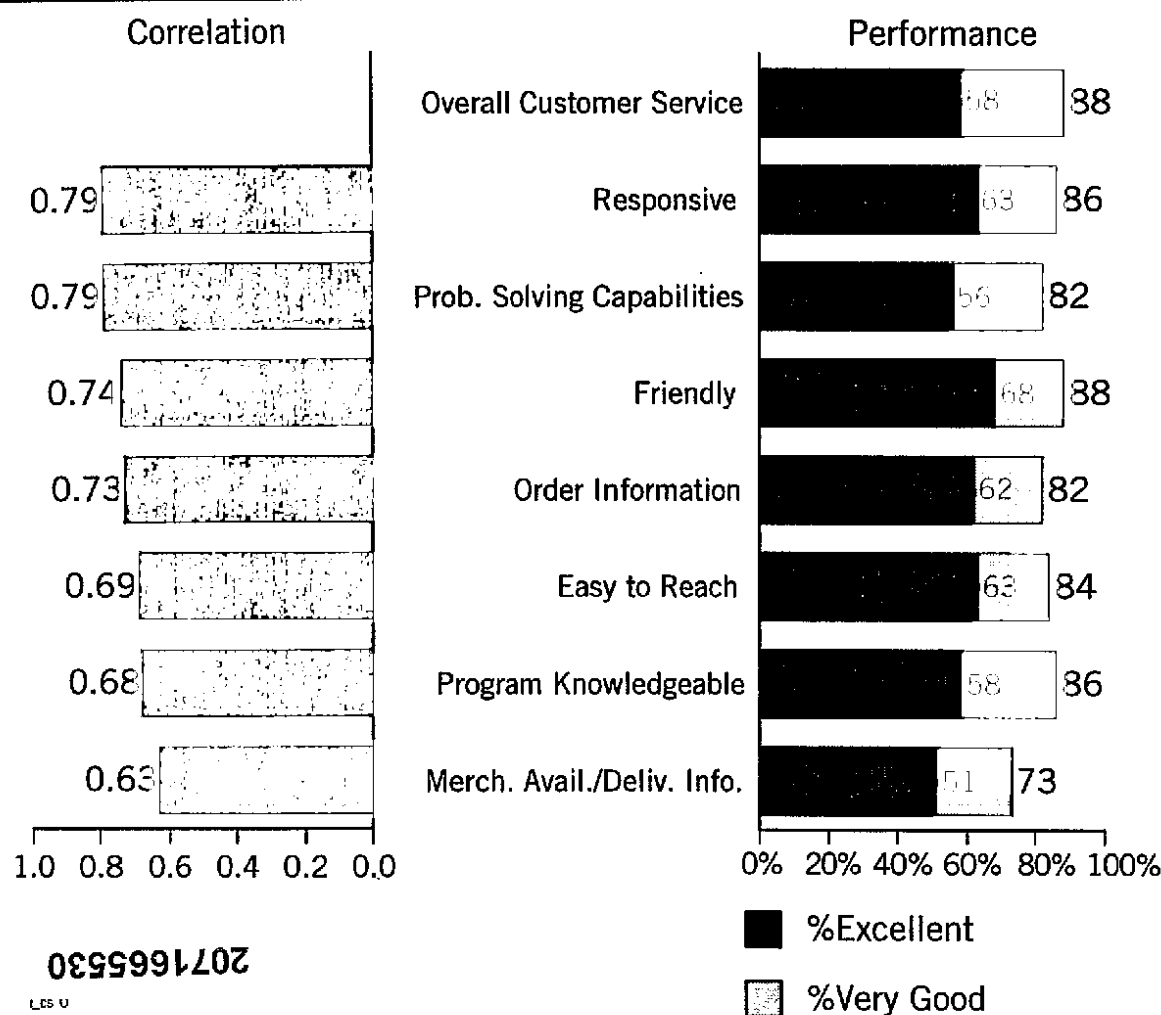
“Response time on orders needs to be improved immediately.”

“Let people know sooner that you’re out of stock. Deliver sooner.”

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Benson & Hedges

Correlation/Performance – Customer Service Representative

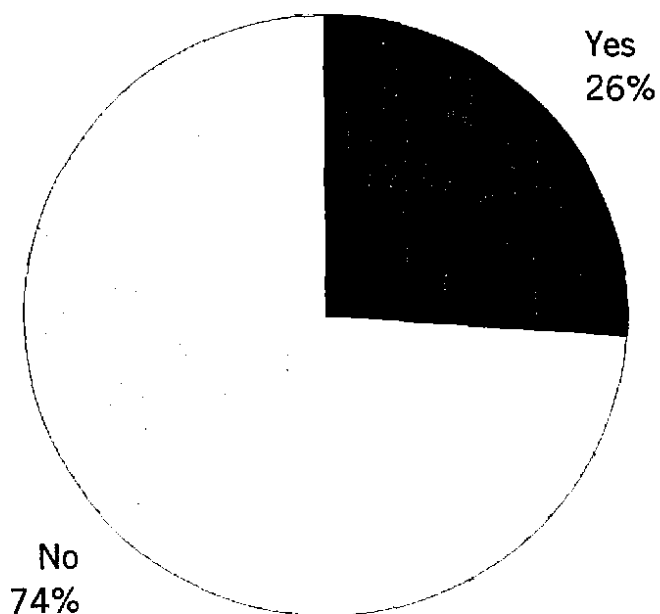


- Responsiveness and problem solving are most highly related to overall Redeemer Service performance.

- Redeemers use the service largely to check on orders.

Note: Analysis is based on correlations rather than impact coefficients due to small base sizes. (These larger coefficients denote only a relationship, not impact.)

Benson & Hedges Usage of 1-800# Past Year



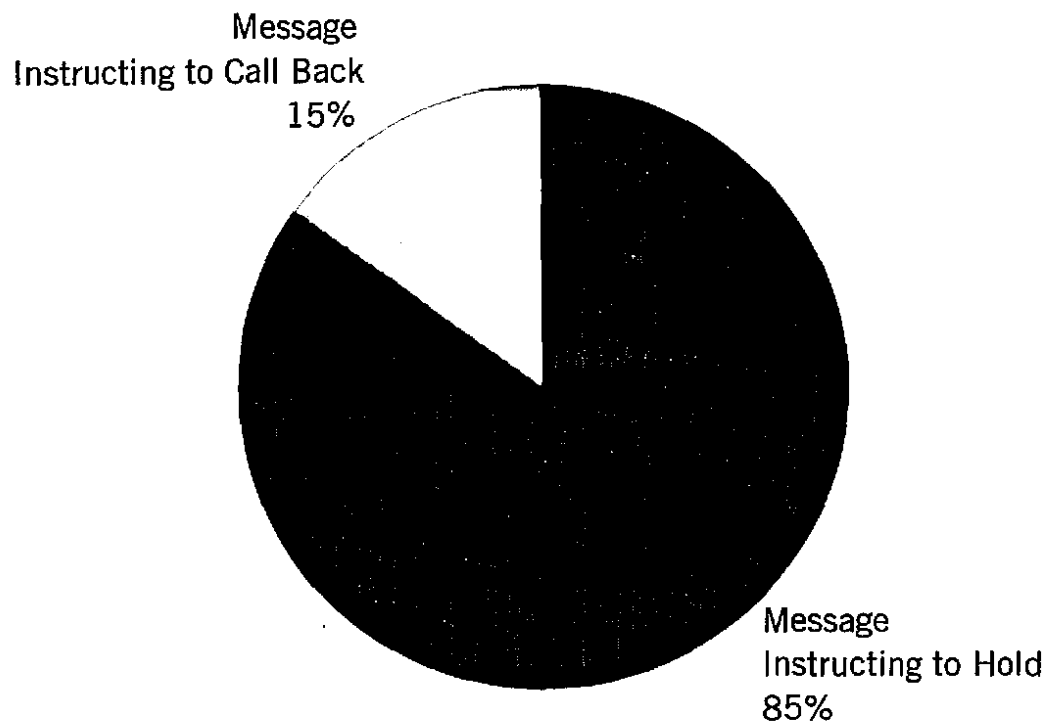
e_1800 0

Primary Reason for Call

| | |
|---------------------------------|----|
| Checking on order | 57 |
| Other | 14 |
| Merchandise return/ exchange | 10 |
| Requesting catalog | 9 |
| General questions | 9 |

2071665531

Benson & Hedges Preference When Cannot Reach "Live" Customer Service Rep



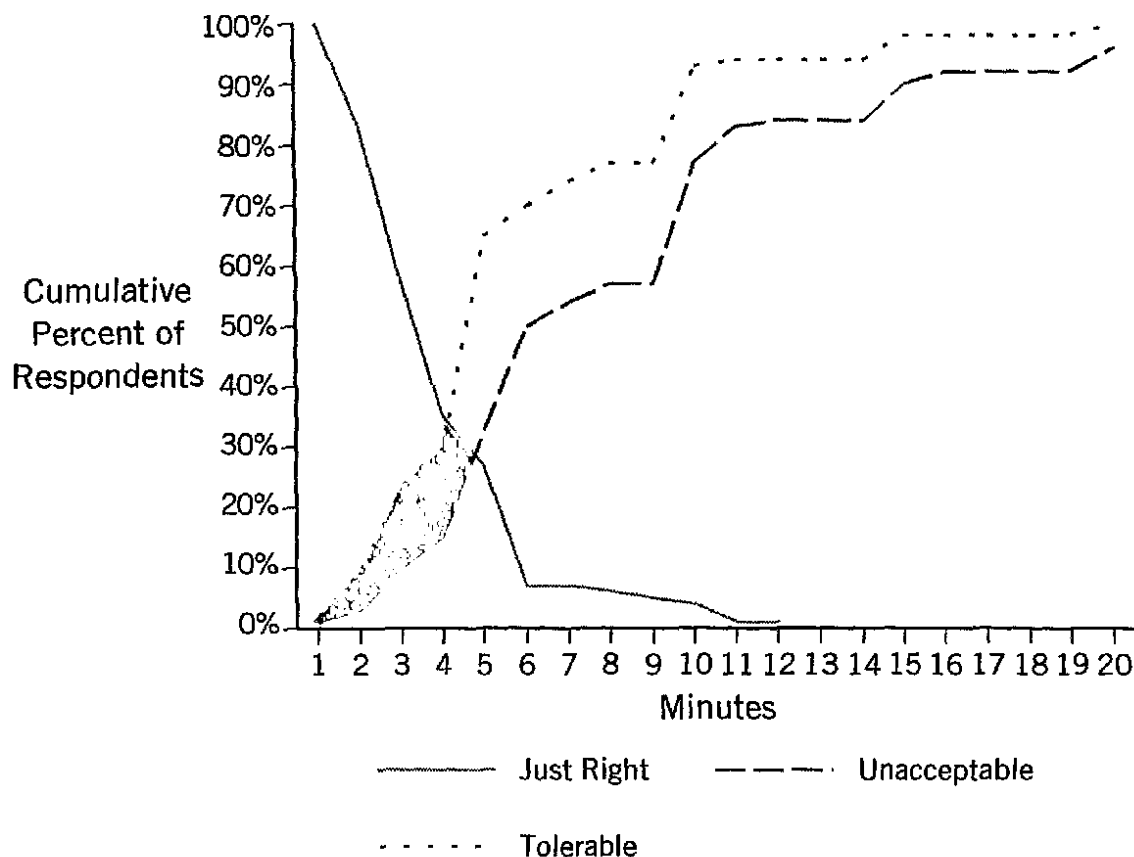
- Generally redeemers prefer to hang on the line for a representative rather than calling back at another time.

e_pwr 0

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Benson & Hedges

Time Sensitivity – Waiting for Customer Service Rep



Based on redeemer expectations, a waiting period of up to 4½ minutes is within the acceptable range to reach a customer service representative.

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Benson & Hedges

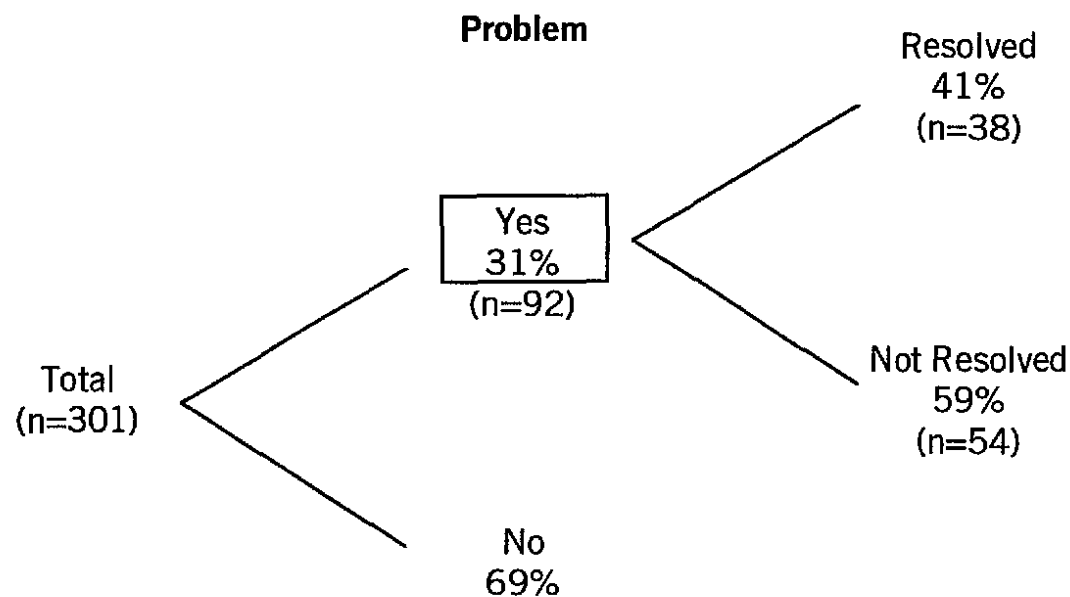
Voice of the Customer – Customer Service Representative

“For each order we receive, we should have a number to call to reach a customer service representative.”

“If something is broken, don’t require the whole shipment to be sent back. Believe the redeemer. Allow them, Benson & Hedges, to send the broken piece without any expectations or redeemer send the broken piece for replacement. Also, reimburse the postage charge since it was not the redeemer’s fault it was broken.”

2071665534

Benson & Hedges Problems Experienced



· Problem Impact on Continued Participation:

| | No Problem | Problem Resolved | Problem Not Resolved |
|---------------------------------------|------------|------------------|----------------------|
| 2071665535 %Extremely/ Very Likely | 92% | 90% | 80% |

Benson & Hedges

Voice of the Customer – Problems Experienced

• Delivery and communications were cited as the most common problems.

“The lighter doesn't work, and I have some shipments that I ordered a long time ago that I haven't received.”

“A watch was broken...The operator's lack of response to my concern. The operator took my information. That's where it was left. I don't know what's to come of it. That was a week and a half ago.”

“They went from proof of purchase of cartons to packs. I don't know when or if the carton proofs are good any more. It got too confusing.”

“For the pasta dishes and bowls, there was a big mix-up. Evidently they cancelled the whole thing, and in a letter they said the paint they used was toxic.”

2071665536

Benson & Hedges

Voice of the Customer – Problems Experienced (cont'd)

“I placed an order four to six weeks ago, and I haven’t received it or any notice from them if it’s coming or not. I ordered the bathrobes from the last program. If they’re backordered, it would be nice if we were notified. I have no idea if they even received the order because I haven’t heard anything from them.”

“The length of delivery time is too long. I sent in an order on August 23, and it won’t be shipped until November 24.”

2071665537

Benson & Hedges

Voice of the Customer – Closing Suggestions

“Do more research on these programs. Do some comparisons with the other cigarette companies, like Marlboro, and see the superior quality of the products they offer. The only suggestion is to improve the quality and improve the order delivery time. Seventeen weeks is way too long, even for a back order.”

“They need to have more mail-outs. More offerings. More programs.”

“Send me catalogs in the mail, and add more selections on choices in the catalog, and provide quality products.”

“Let me mail the whole pack instead of cutting them out. It’s easier to save packs than those little papers.”

“Lower amount of UPC’s required for the items. I liked it better when we could use the carton UPC’s.”

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Benson & Hedges

Voice of the Customer – Closing Suggestions (cont'd)

“Use carton UPC's versus the pack UPC's. They are much bigger and easier to handle than the pack UPC's which are messy and hard to count.”

“Should have more displays at the stores and more easily accessible catalogs. More coupons. Also, I just haven't seen any displays in the stores for Benson & Hedges. I always have a hard time getting a catalog.”

“If I place a delivery and if it's going to take longer than six weeks, they should either mail or phone me.”

2071665539

Benson & Hedges Key Findings and Implications

- Benson & Hedges redeemers are highly likely to continue participating in the catalog program. In fact, intended future participation is only slightly below Marlboro. Future objectives should focus on maintaining this high commitment and enhancing usage through increased recommendation. (Enhancement behavior intentions are consistently below Marlboro.)
- Rewarding loyal redeemers, ease of participating, and merchandise images are strengths of the Benson & Hedges program.
- Benson & Hedges overall catalog performance, relative to Marlboro, is fairly strong, although overall opinion, images, and communications are below Marlboro performance.

2071665540

Benson & Hedges Key Findings and Implications (cont'd)

- Concentrate Benson & Hedges catalog efforts on maintaining/improving program areas which have the greatest effect on commitment behavior.
 - » merchandise
 - » collection
 - » communications
 - » catalog
- In addition, management of delivery is critical, since back orders inhibit redeemer likelihood to participate again.

2071665541

Benson & Hedges Action Priorities

Maintain:

Merchandise

Catalog

Focus On:

Identify and meet
redeemer expectations

Accurate descriptions
and eye appeal

Will Improve:

Overall Quality/Overall Image
↓
Commitment

Improve:

Collection

Communication

Delivery

Ease of collection within
time allowed

Build program awareness

Manage back orders
Delivery within 7 weeks

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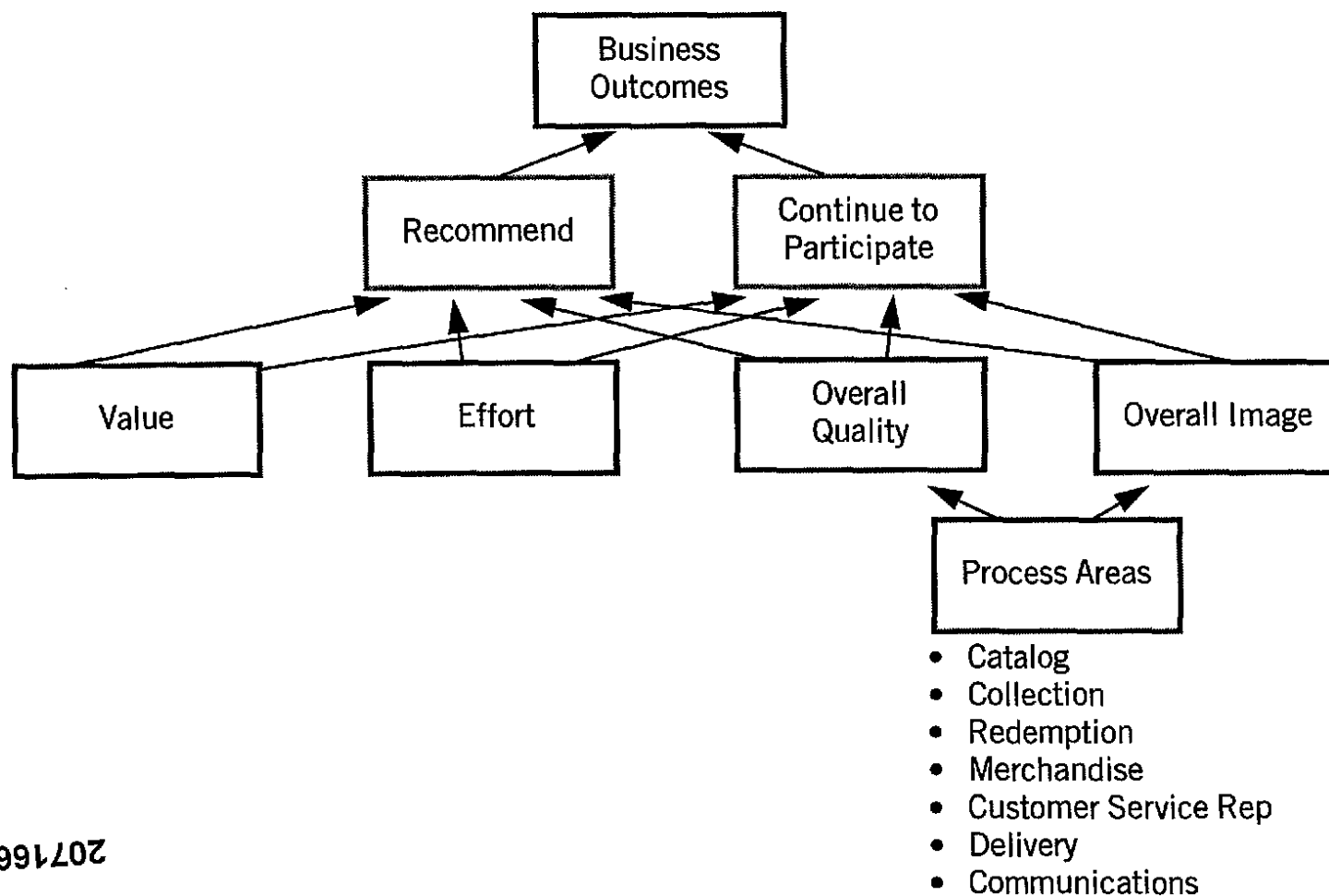
CAMBRIDGE

Cambridge

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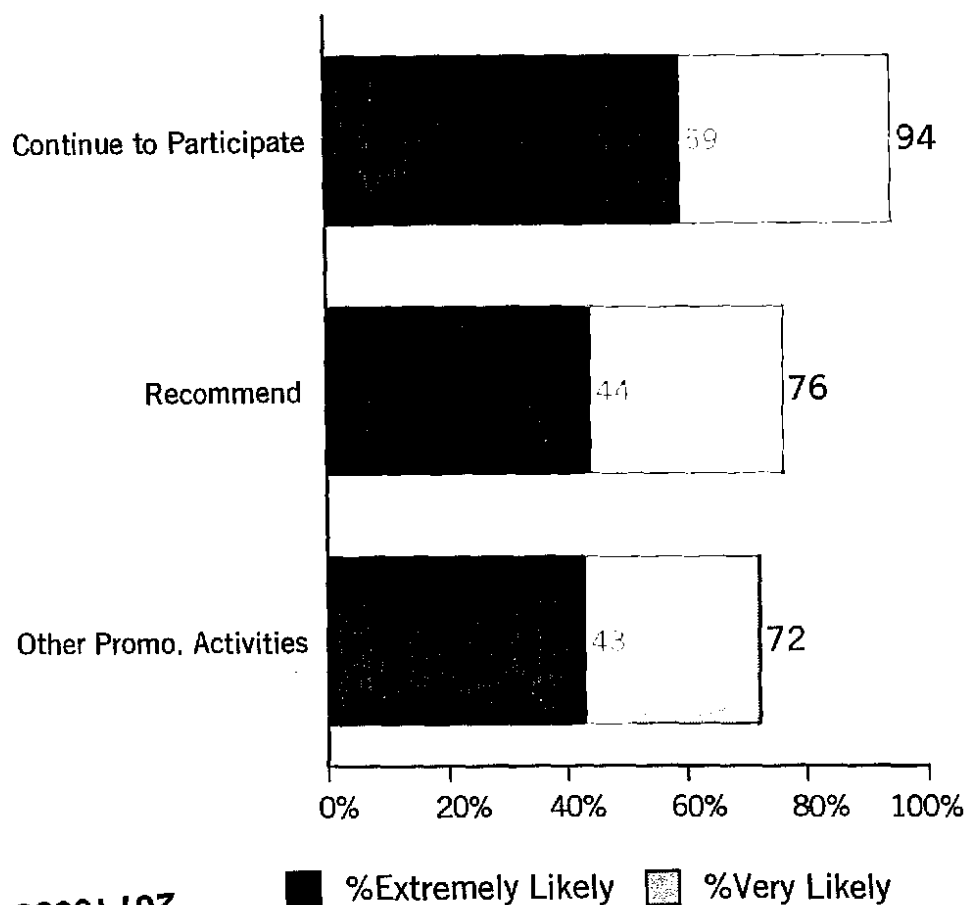
Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Cambridge
Model of Redeemer Satisfaction Management



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Cambridge Redeemer Commitment

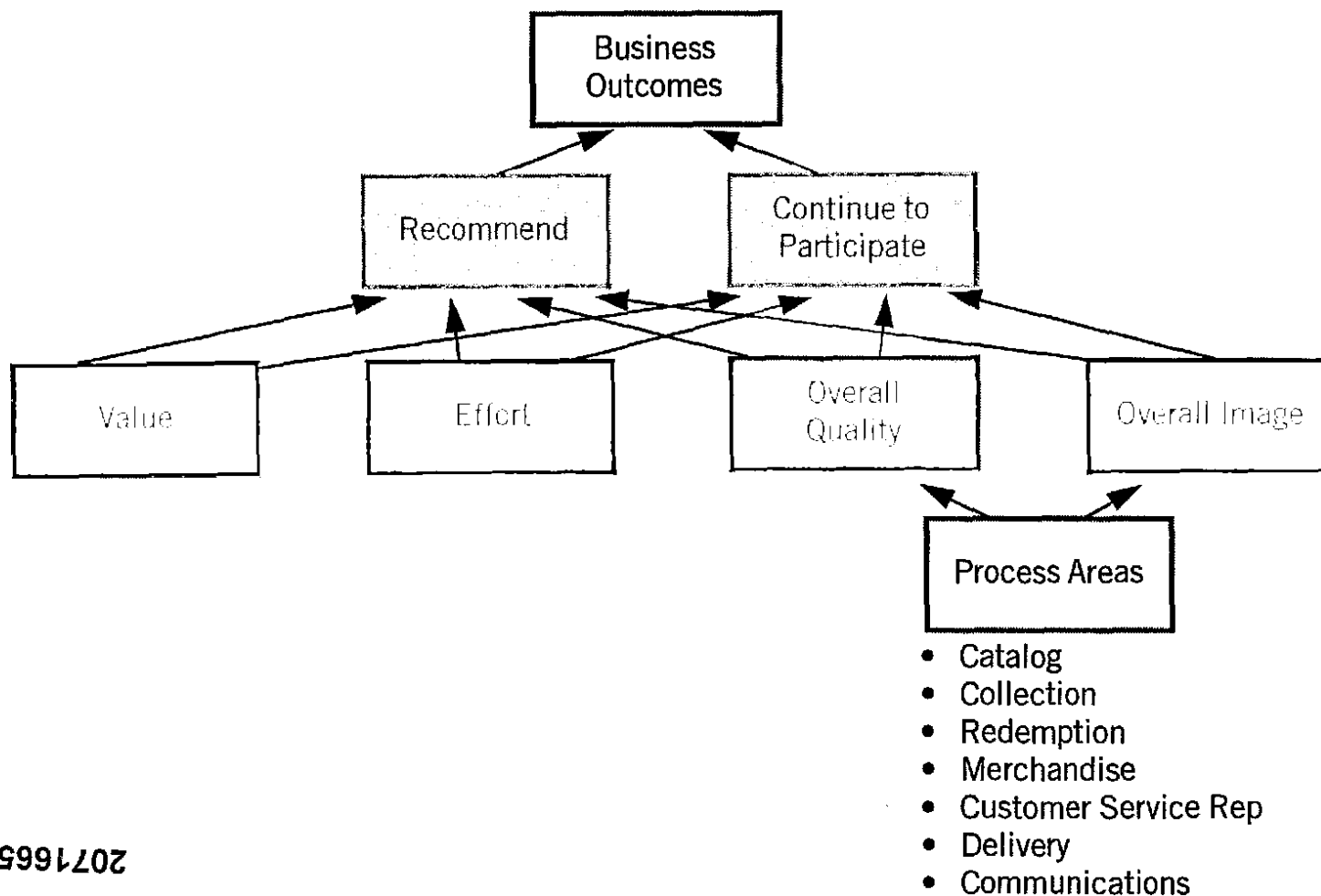


- Redeemer likelihood to Continue Participating in the Cambridge catalog program is very strong.
- However, redeemers are less likely to Recommend the program to others.

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P_000

Cambridge
Model of Redeemer Satisfaction Management



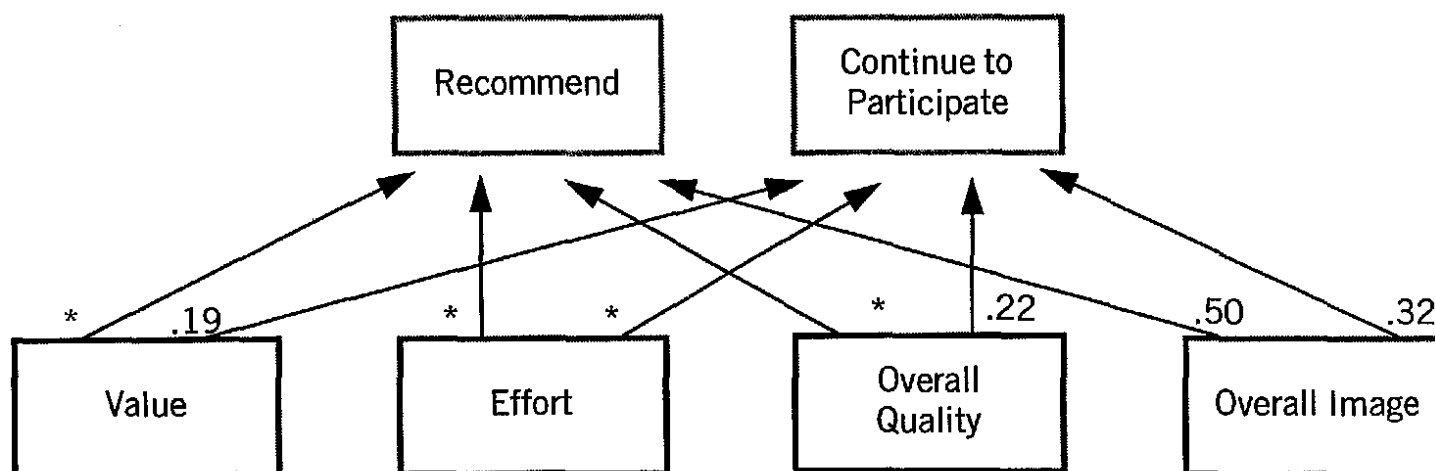
207166547

Cambridge
Model of Redeemer Satisfaction Management

- Measures of Commitment, namely Recommend and Continue to Participate, are very differently linked to overall perceptions of the Cambridge catalog program.
 - » Continued Participation is driven by Overall Image, as well as Overall Quality and Value.
 - » Recommendation Behavior, on the other hand, is driven solely by Overall Image of the program.
- Perceived Effort is not significantly related to future behavior intentions.

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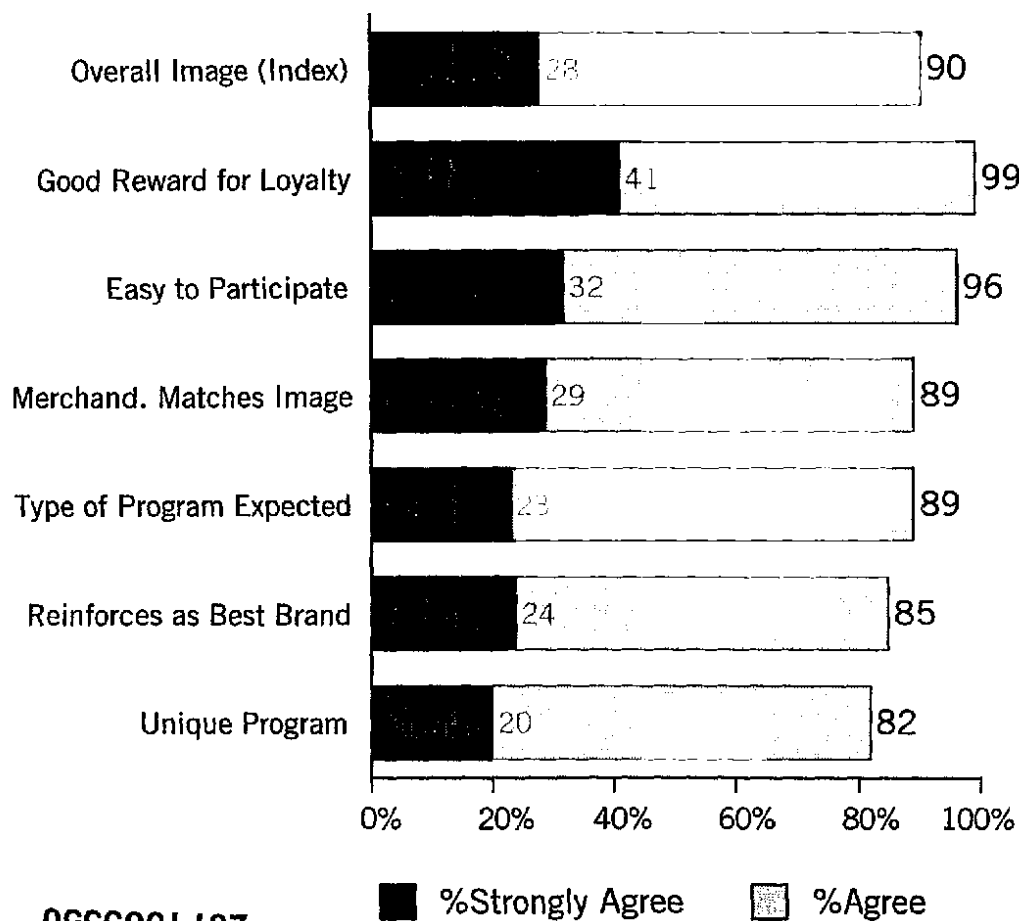
Cambridge
Intentions and Attitudes Model



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* Not statistically significant.

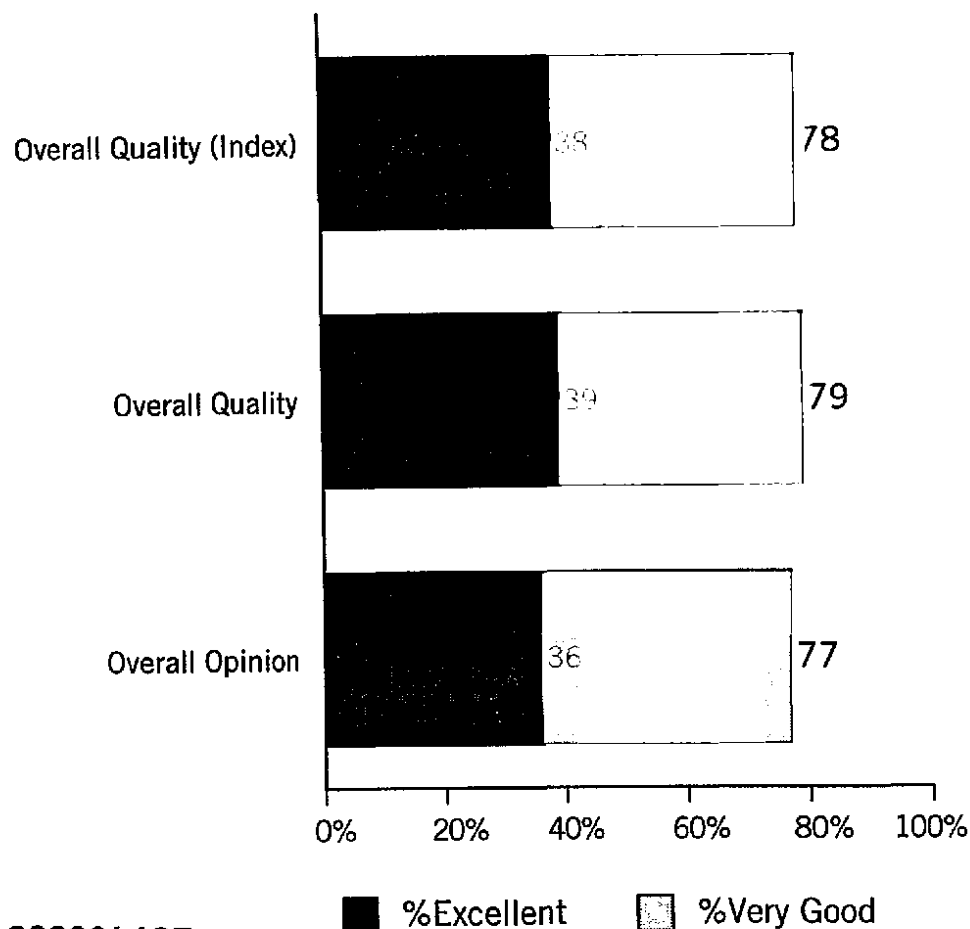
Cambridge
Overall Image/Related Images



• Good reward for loyalty and ease of participating are the most positive images related to the Cambridge program.

Note: Overall Image is a composite score of all related images.

Cambridge
Overall Program Quality



· Ratings of Overall Program Quality are very similar to redeemers' Overall Opinions of the program.

Note: The Overall Quality Index is a composite score of Overall Quality and Overall Opinion.

2071665551

p_0000

Cambridge

Voice of the Customer – Reasons for Overall Quality

· *Merchandise and Image were the most frequent reason for Overall Quality.*

“Two orders were placed from the catalog, and it was beautiful and packaged well. I was pleased as punch.”

“Offered products that I could use. I ordered a red telephone, and another time I ordered a cassette player, and I ordered a T-shirt. Those are things I had a use for.”

“They usually deliver when they say they will. Only once, the delivery was two weeks late.”

“The catalog was hard to find. The place where I buy my cigarettes was out of them. The order came quickly. I don't know how long it was, but it came faster than I expected.”

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Cambridge

Voice of the Customer – Reasons for Overall Quality (cont'd)

“It is because everything in there I’ve been able to go through. It’s self-explanatory. The books tell you what it is and what it costs in UPC symbols, and the order forms are easy to use and it's reasonable. The UPC symbols. You have to have its reasonable points to get products.”

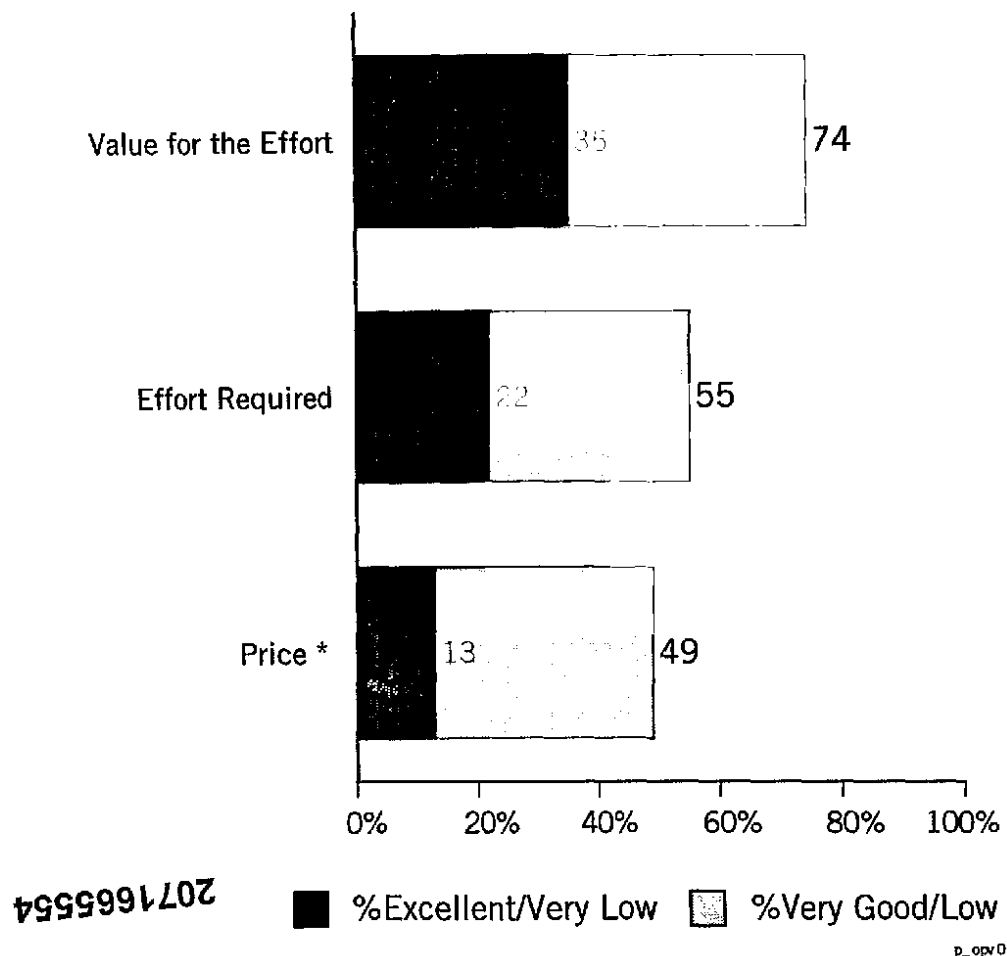
“The way they do things. They give you incentives to buy things through their catalogs. The quality of their merchandise. It is all right, it is good. I haven’t had any problems with it.”

“I don’t have to save as many UPC symbols as with other companies. I just like it. I only got the carton of cigarettes.”

“The price is pretty low and discounted, and I save UPC’s. It makes it a better deal. Also, the coupons you send me. The coupons are a good deal.”

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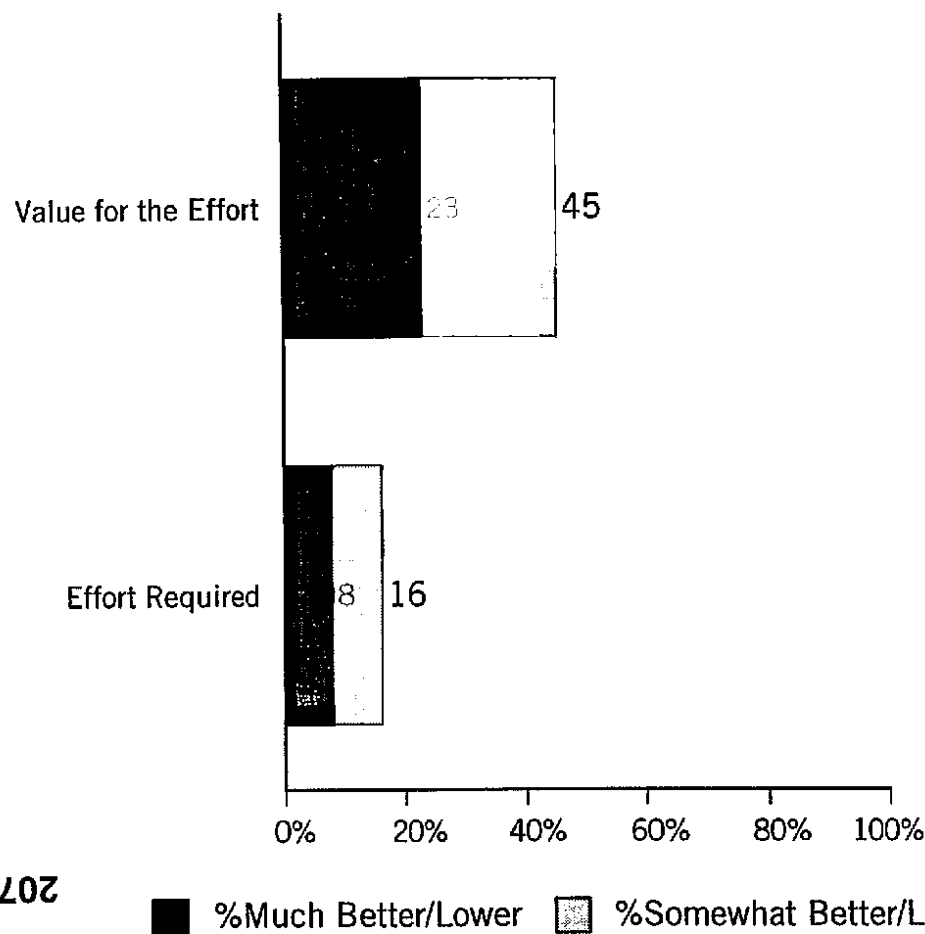
Cambridge Overall Program Value



- Perceived Value for the Effort is good, although many redeemers perceive moderate to high Effort.
- About one-half of discount smokers have low price perceptions based on this program.
- *Price Question: Given the price you pay for Cambridge and the opportunity to redeem for free merchandise, would you consider the price to participate in this program to be very low priced, low priced, moderately priced, high priced, or very high priced?*

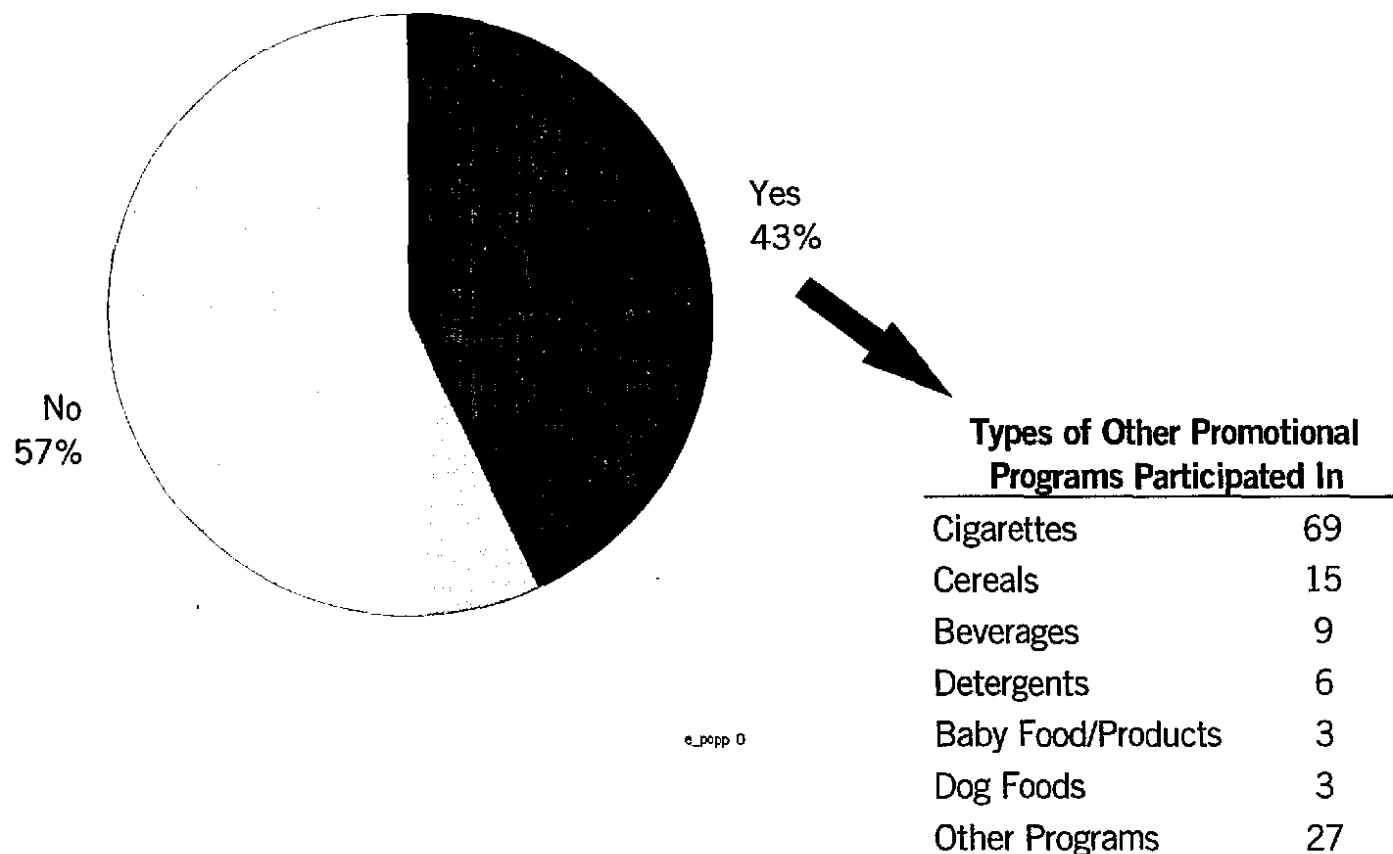
* Among Discount Smokers Only.

Cambridge Program Value Relative to Other Programs



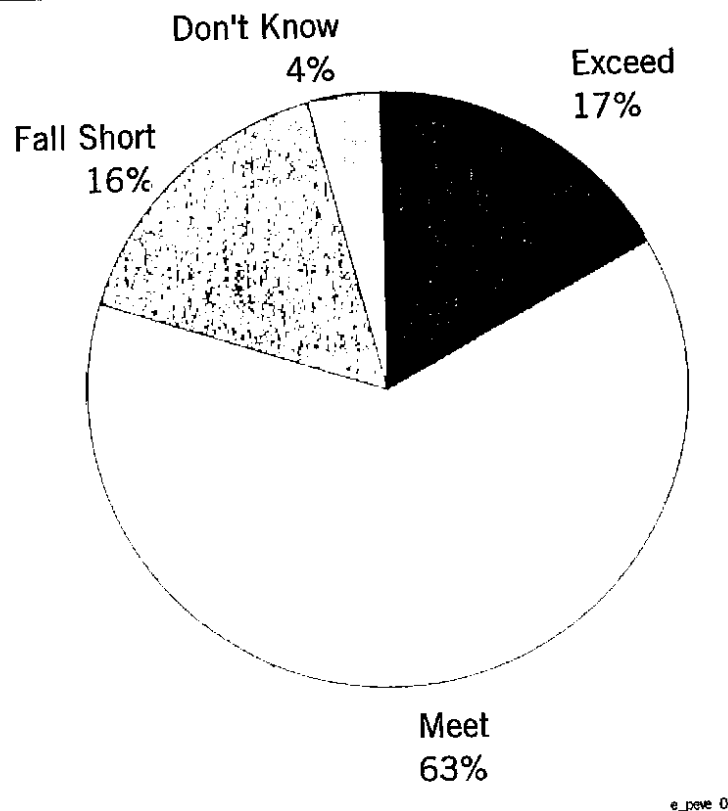
- Relative to other programs in which redeemers have participated, just under one-half of Cambridge participants perceive more Value.
- Other promotional programs include primarily cigarettes, as well as cereals.

Cambridge
Participation in Other Promotional Programs



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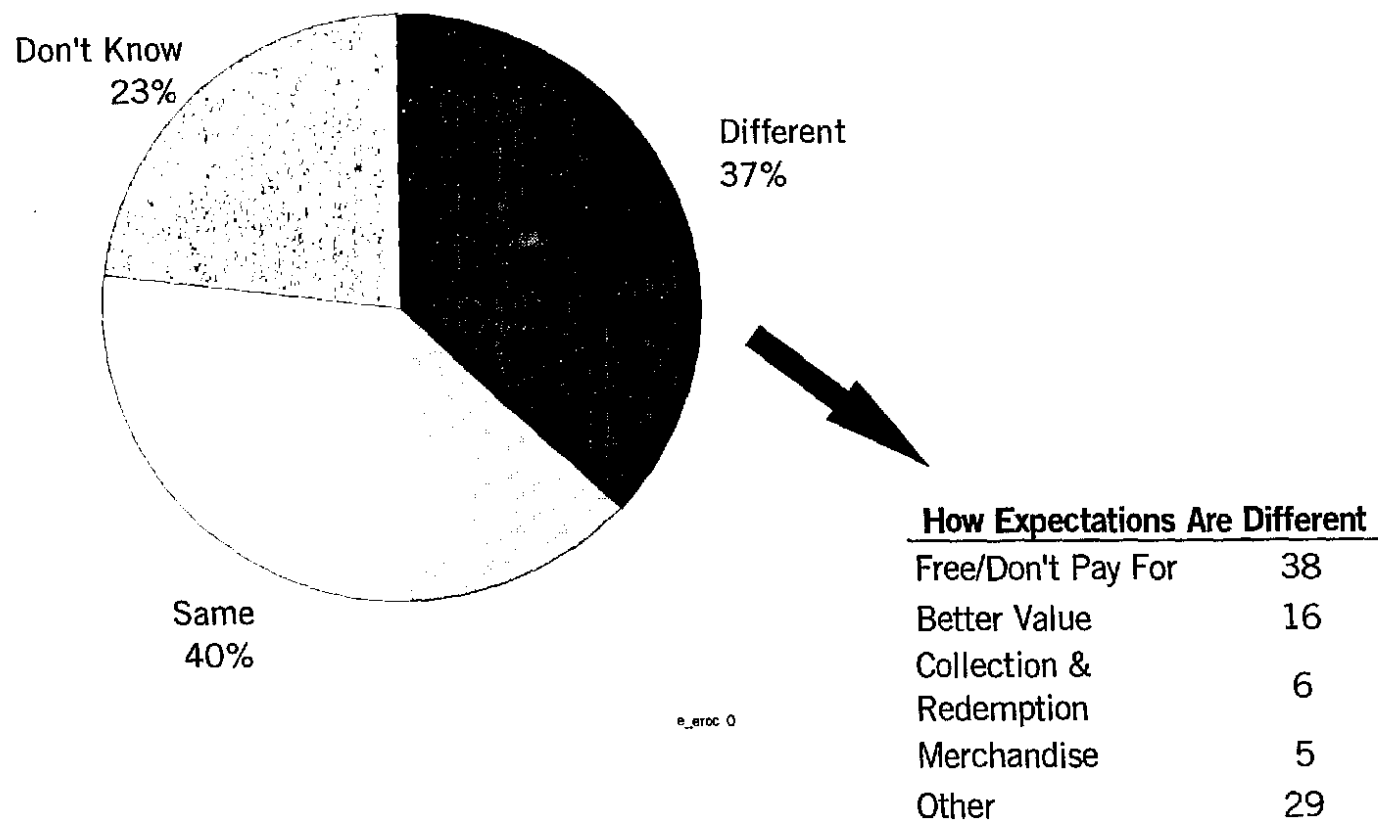
Cambridge
Program Experience Versus Expectations



- Most redeemers experience program performance equal to or above their expectations.
- However, expectations vary somewhat relative to other catalogs.

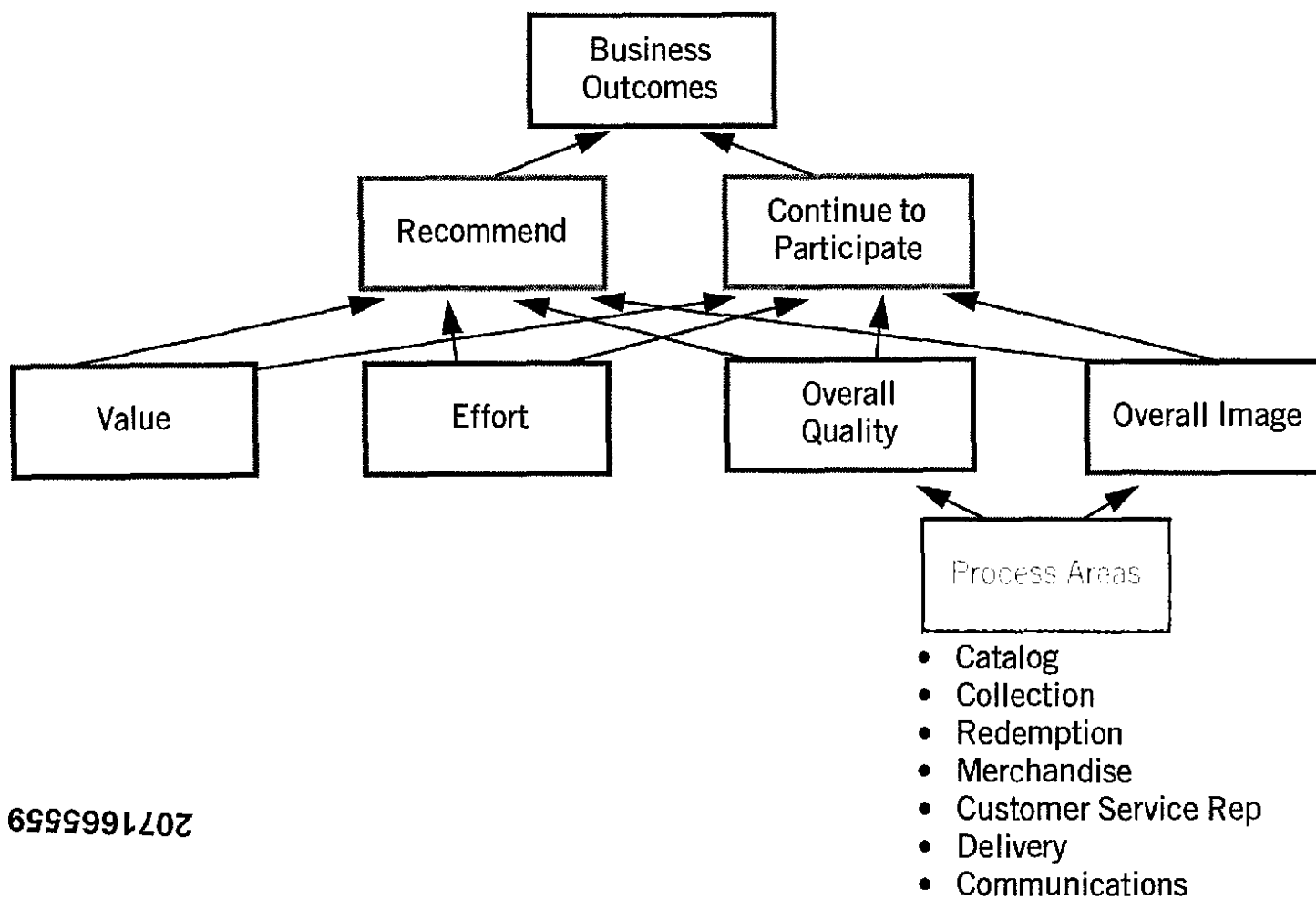
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Cambridge
Expectations Relative to Other Catalogs



2071665558

Cambridge
Model of Redeemer Satisfaction Management



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Cambridge
Direct Effects – Process Areas and Attributes

| | Overall Quality | Overall Image |
|------------------------|-----------------|---------------|
| Process Areas | | |
| • Catalog | .20 | * |
| • Collection | .15 | .12 |
| • Redemption | * | .22 |
| • Merchandise | .32 | .21 |
| • Customer Service Rep | * | * |
| • Delivery | .25 | * |
| • Communications | * | .23 |

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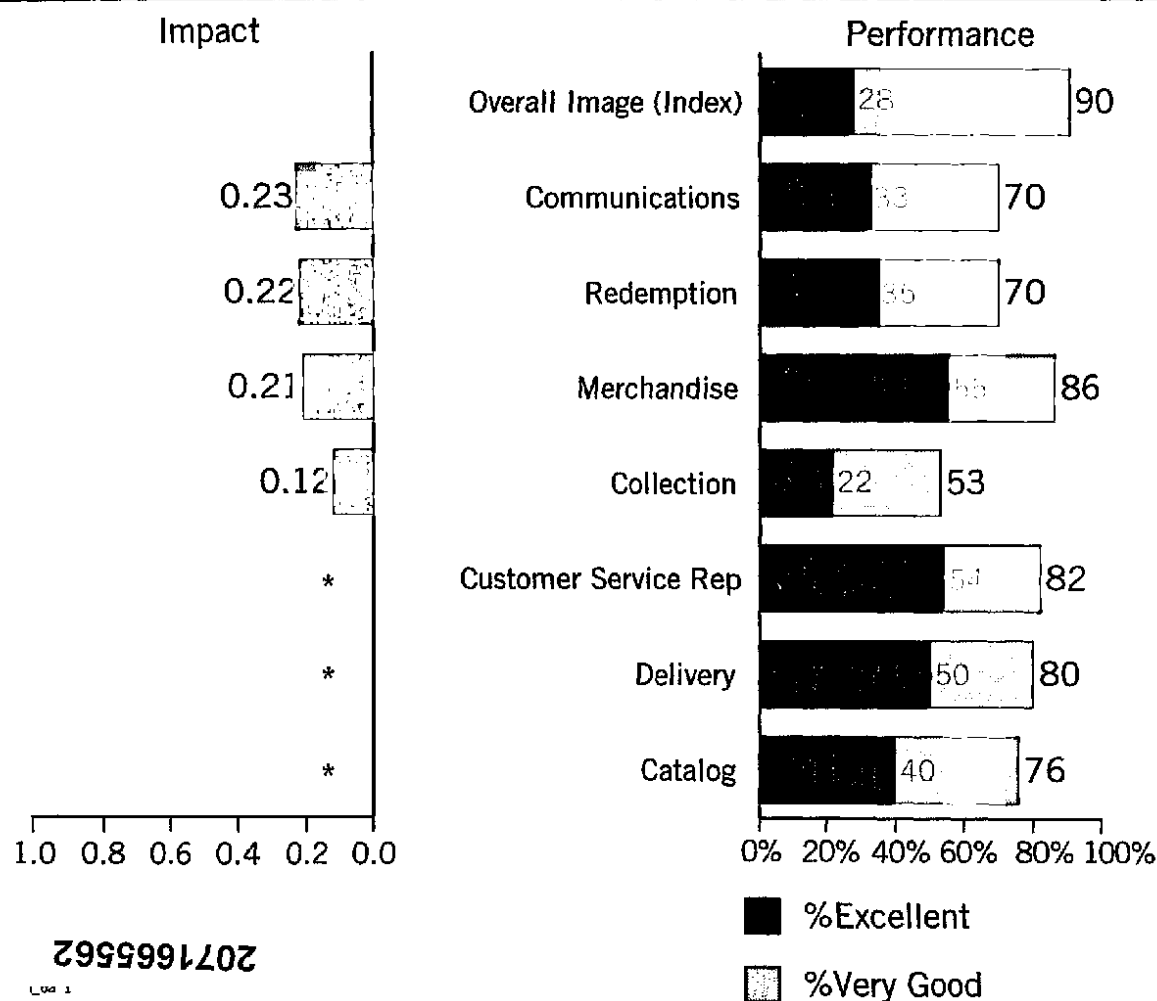
* Not statistically significant.

Cambridge
Model of Redeemer Satisfaction Management

- Various aspects of redeemer experience and interaction directly impact overall perceptions of the Cambridge catalog program.
- However, these various process areas relate very differently to Overall Program Quality and Overall Program Image.
- Although Merchandise and Collection are key drivers of both Overall Quality and Overall Image, other process areas impact only one of these two overall perceptions.
 - » Overall Quality is driven more by the basic mechanics and deliverables of the program (Merchandise, Delivery, Catalog, Collection).
 - » Overall Image is driven by Communications and Redemption, as well as Merchandise and Collection.

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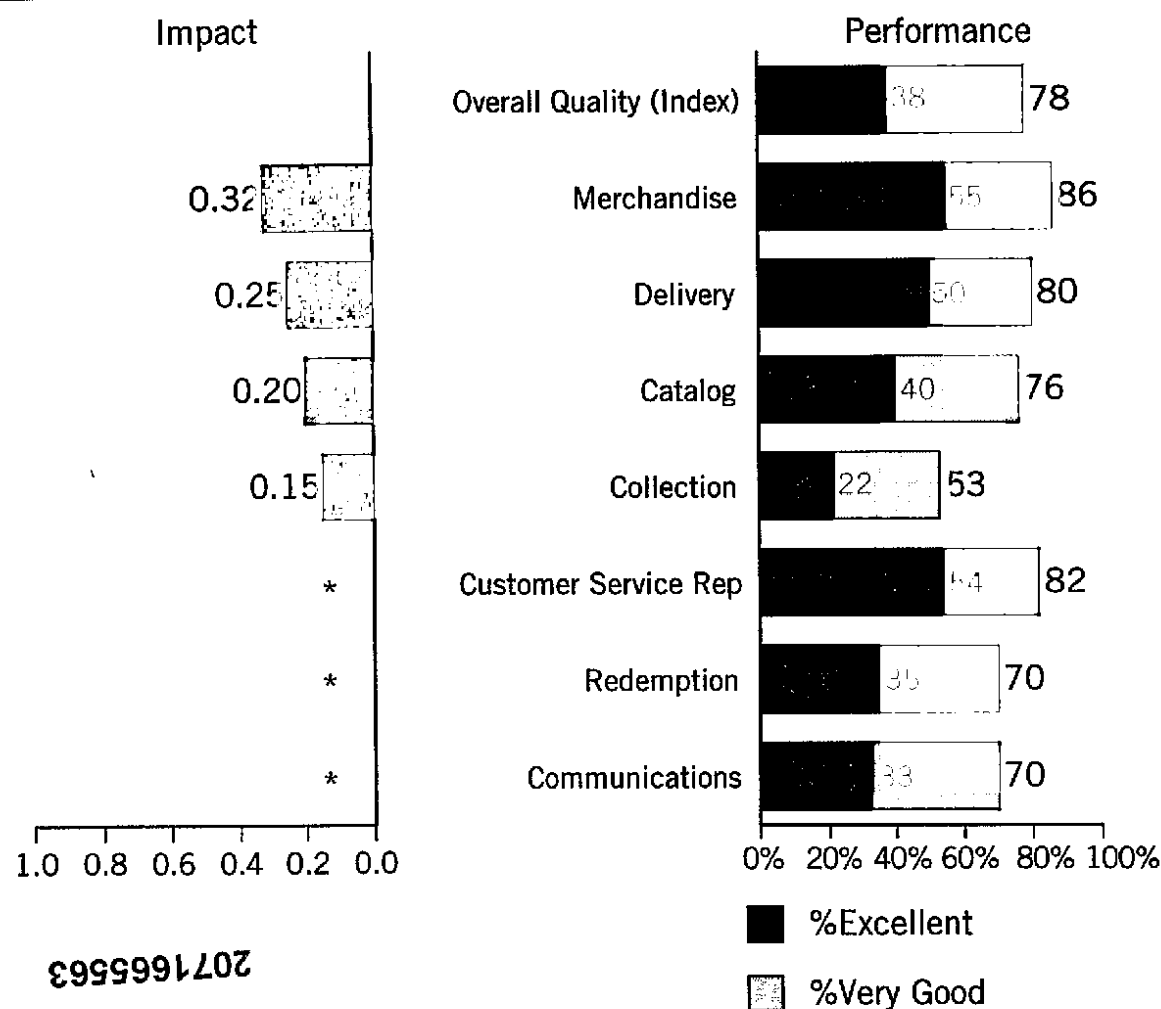
Cambridge
 Impact/Performance – Overall Image



- Among the primary drivers of Overall Image, Communications and Redemption performance show some room for improvement.
- Merchandise performance is strong.

* Not statistically significant.

Cambridge Impact/Performance – Overall Quality



- Overall Quality is impacted mainly by the strong performance of Merchandise.
- Among other drivers of Overall Quality, Collection shows the most needed improvement.

* Not statistically significant.

Cambridge

Total Effects – Process Areas on Commitment

- Based on the model of CSM, process areas are directly related to both Overall Quality and Overall Image. In order to assess the combined impact of these various factors of redeemer experience, total effects were calculated to link these process areas directly with Redeemer Commitment.
- Merchandise and Communications are the primary drivers of future behavior; however, Redemption and Collection also impact recommendation behavior, while Collection, Delivery, and Catalog impact continued participation.
 - » Although Merchandise performance is already fairly high, continued improvement in this area will have the most positive impact on future behavior.
 - » Communications, Collection, and Redemption, with relatively high total effects, show the most room for improvement.
 - » Delivery and Catalog performance should be maintained to ensure continued participation.

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Cambridge

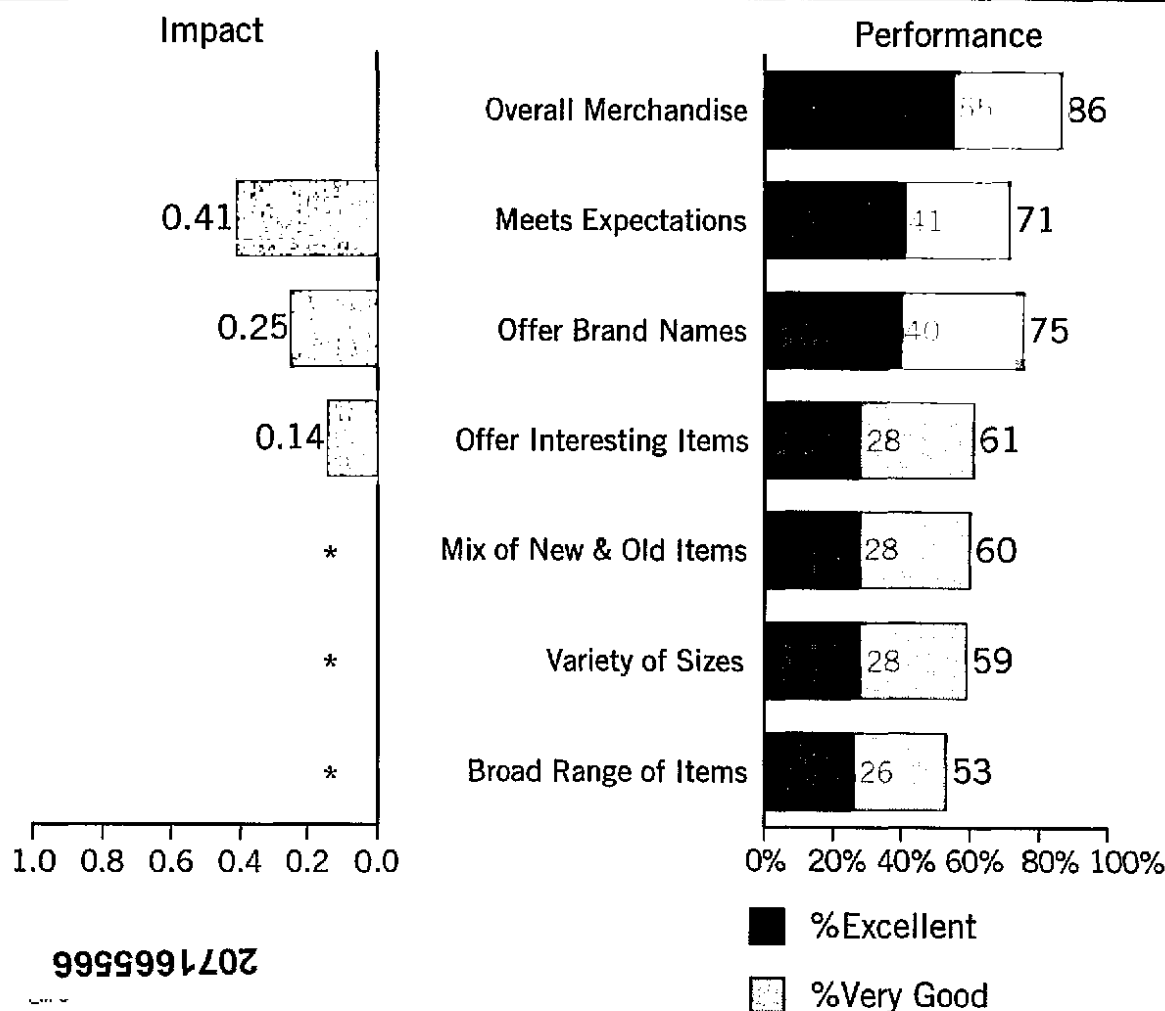
Total Effects – Process Areas on Commitment

| | Continue | Recommend |
|------------------|----------|-----------|
| Merchandise | 0.13 | 0.13 |
| Communications | 0.08 | 0.12 |
| Collection | 0.07 | 0.07 |
| Delivery | 0.07 | * |
| Catalog | 0.06 | * |
| Redemption | * | 0.11 |
| Customer Service | * | * |

*Non-significant

2071665565

Cambridge
Impact/Performance – Merchandise



· The degree to which merchandise meets expectations primarily drives overall Merchandise ratings, although offering brand names also shows strong impact.

* Not statistically significant.

Cambridge
Voice of the Customer – Merchandise

“It is because I’m happy with the merchandise. It’s nice merchandise. It’s good quality. It doesn’t break easily.”

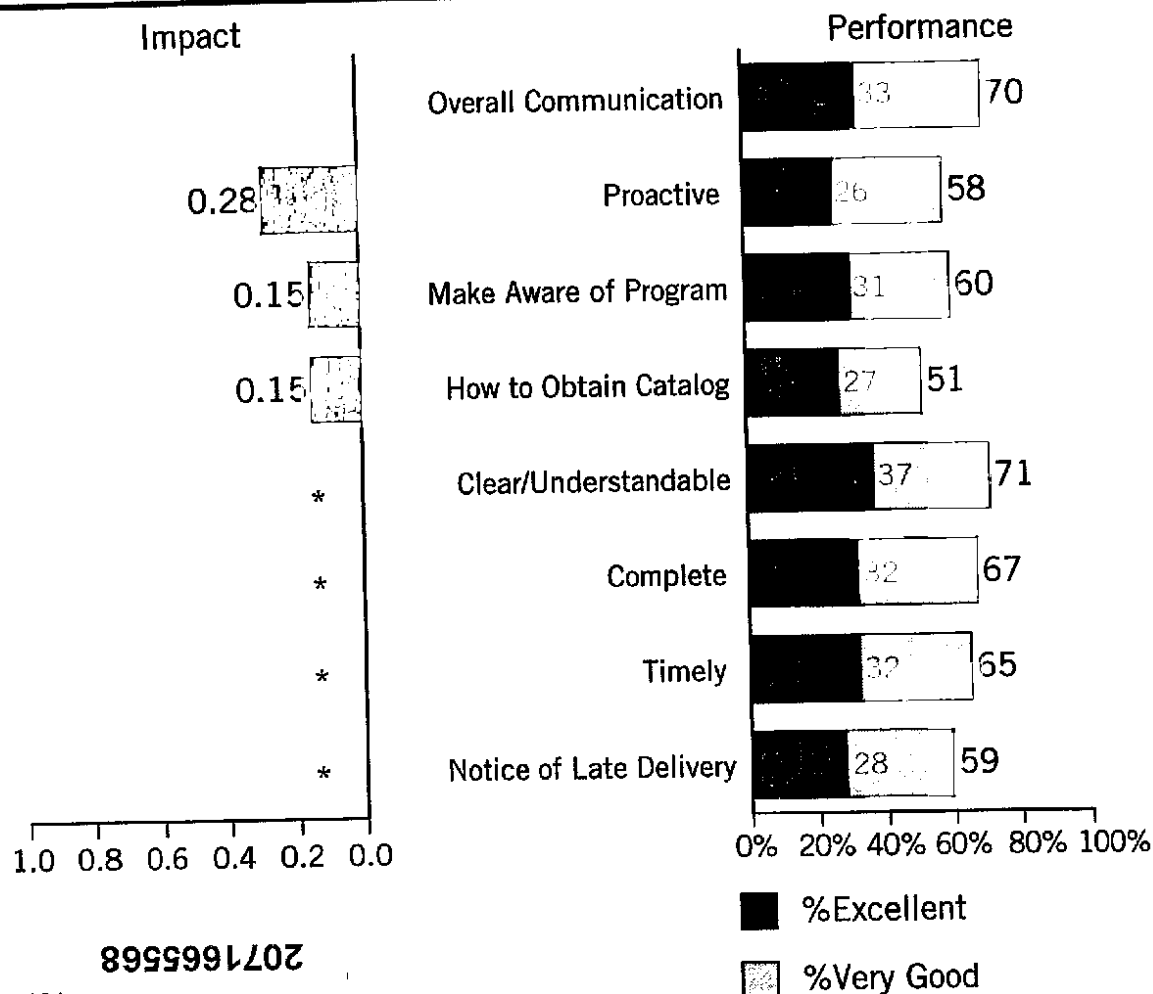
“They offer pretty good stuff. The catalog has nice things like the brand-name camera.”

“Have a few more items in their little book. There are not very many things in there.”

“Upgrade the products, a wider variety of products. They have six to eight items instead of twenty to thirty like Marlboro miles.”

2071665567

Cambridge
Impact/Performance – Communications



Communications performance is based primarily on being proactive.

* Not statistically significant.

Cambridge
Voice of the Customer – Communications

“They don’t send the books out quick enough for you to place your order.”

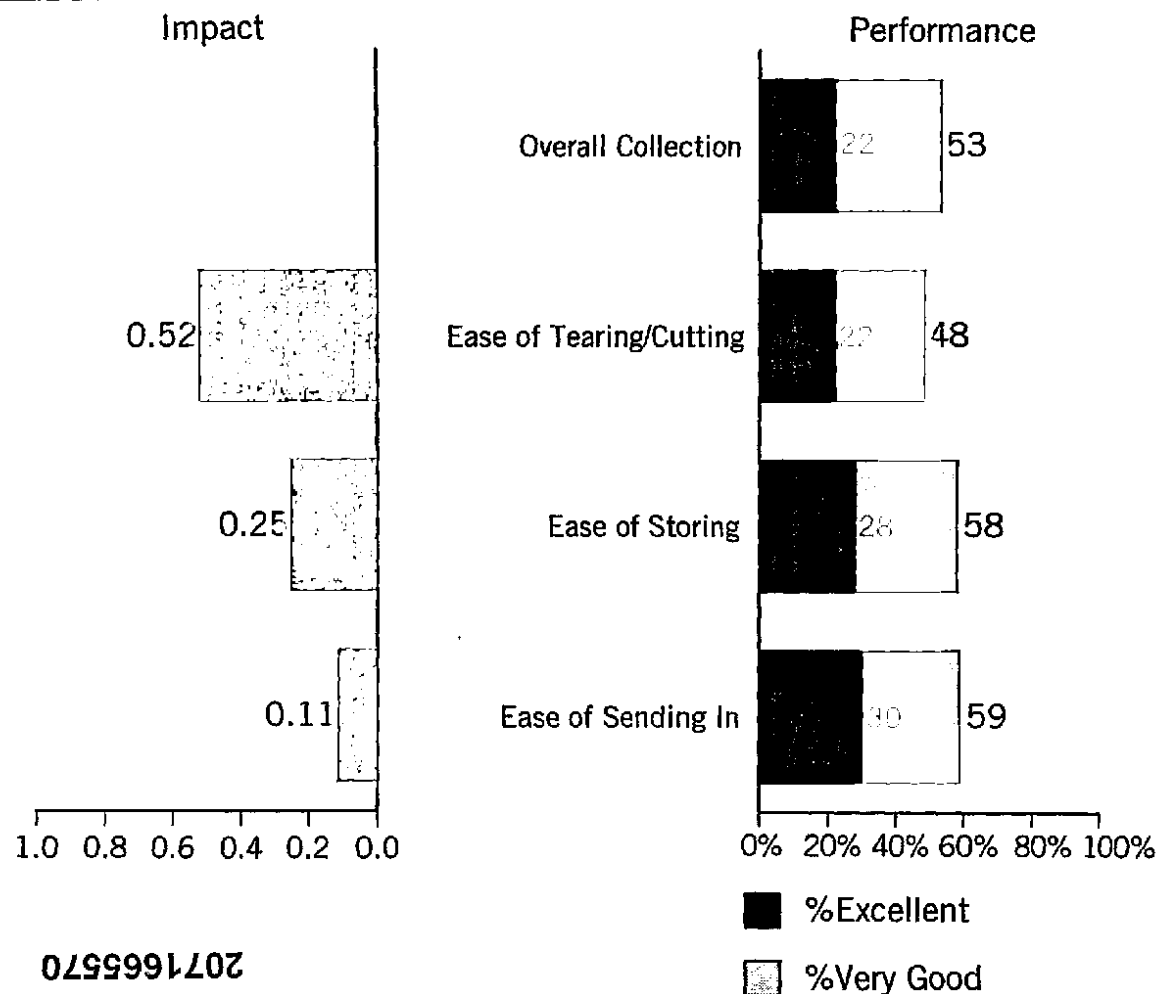
“More coupons. They are in the mail twice a year, and we would like to see them more often. We smoke two to three cartons a week. I think they can help out with more coupons.”

“Advertise more in stores, maybe with a billboard or something like that. Make catalogs more readily available or put more than one order form in a catalog.”

“Get catalogs out a little bit faster.”

2071665569

Cambridge
Impact/Performance – Collection of UPC's



- All aspects of collecting UPC's impact overall perceptions of Collection.
- Ease of tearing/cutting primarily determines overall perceptions of the Collection process, followed by ease of storing.

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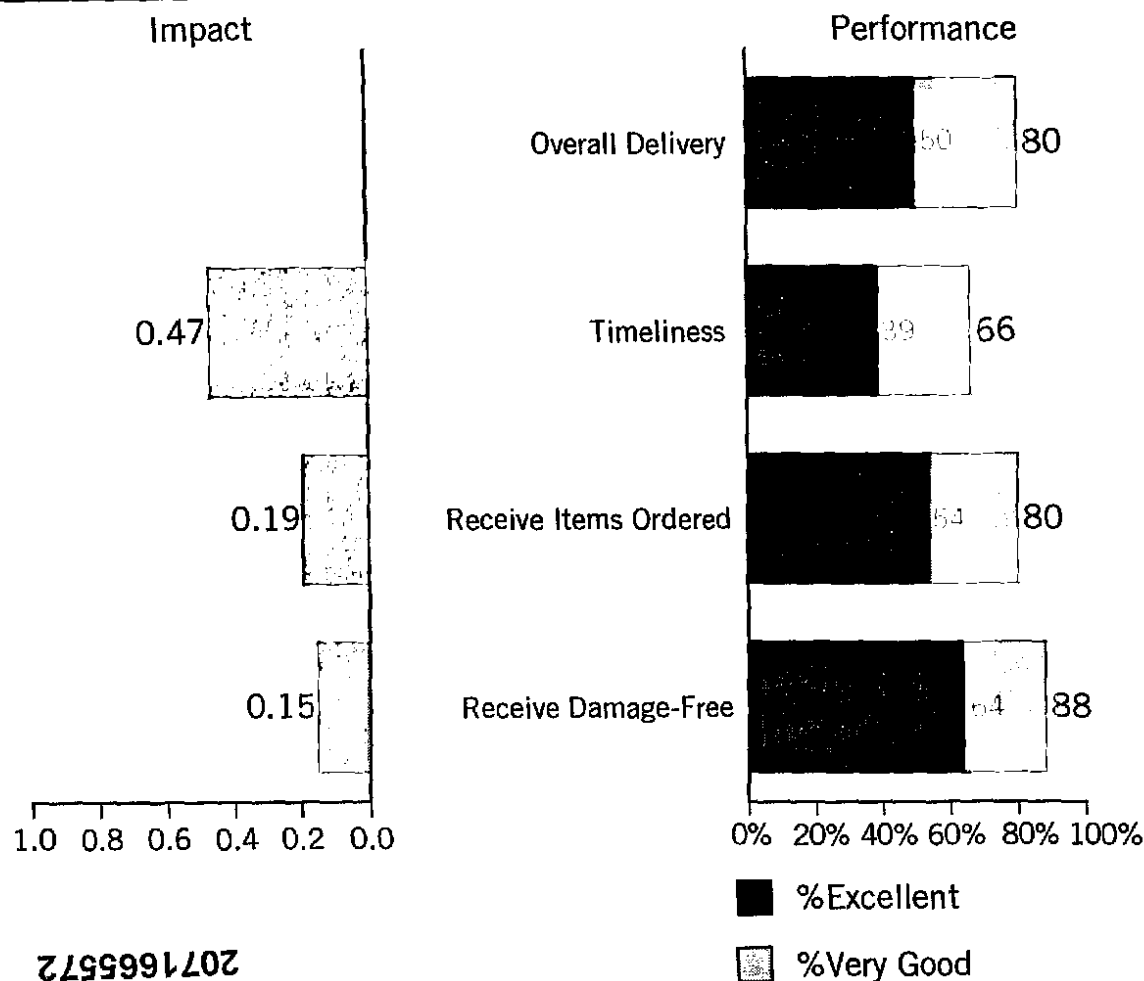
Cambridge
Voice of the Customer – Collection of UPC's

“Accept carton UPC's instead of from the pack.”

“The only problem I have is keeping the UPC's because they're so small.”

2071665571

Cambridge Impact/Performance – Delivery



- Delivery performance, although relatively strong on completeness and damage-free, is more strongly determined by timeliness.
- Delivery time is good for Cambridge, with almost one-half of redeemers receiving their merchandise within 4 weeks, and almost three-fourths receiving within 8 weeks.

Cambridge

Delivery Time/Number of Shipments for Last Order

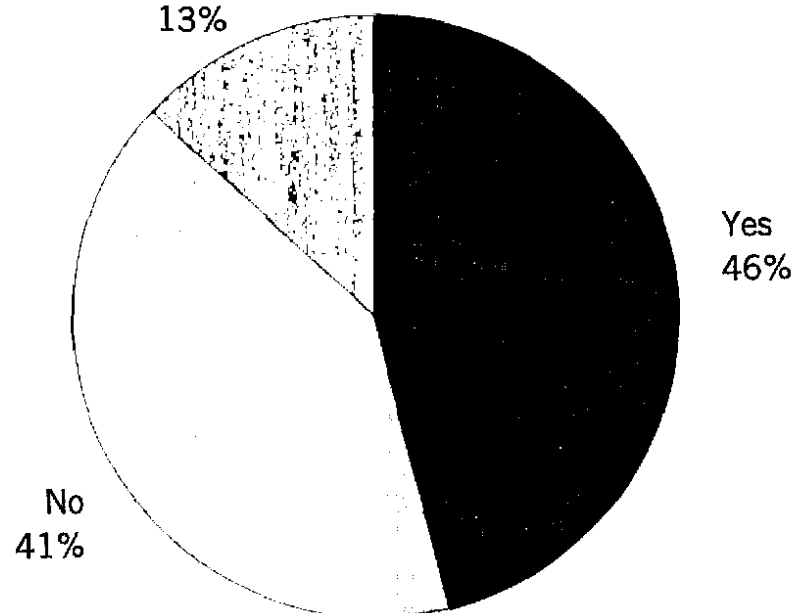
| Order Received | Cambridge | Marlboro (June 1995) |
|------------------------------|------------------|---------------------------------|
| 1-3 weeks | 28 | 10 |
| 4 weeks | 20 | 15 |
| 4 weeks or less (net) | 48 | 26 |
| 5-8 weeks | 24 | 40 |
| 8 weeks or less (net) | 72 | 66 |
| 9-12 weeks | 7 | 14 |
| Over 12 weeks | 3 | 9 |
| Not received yet/Don't know | 19 | 12 |

| # of Shipments | | |
|-----------------------------|----|----|
| One shipment | 53 | 37 |
| Two shipments | 39 | 59 |
| Not received yet/Don't know | 8 | 4 |

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Cambridge
Improvement Over Last Order?

Don't Know/
No Previous Experience
13%

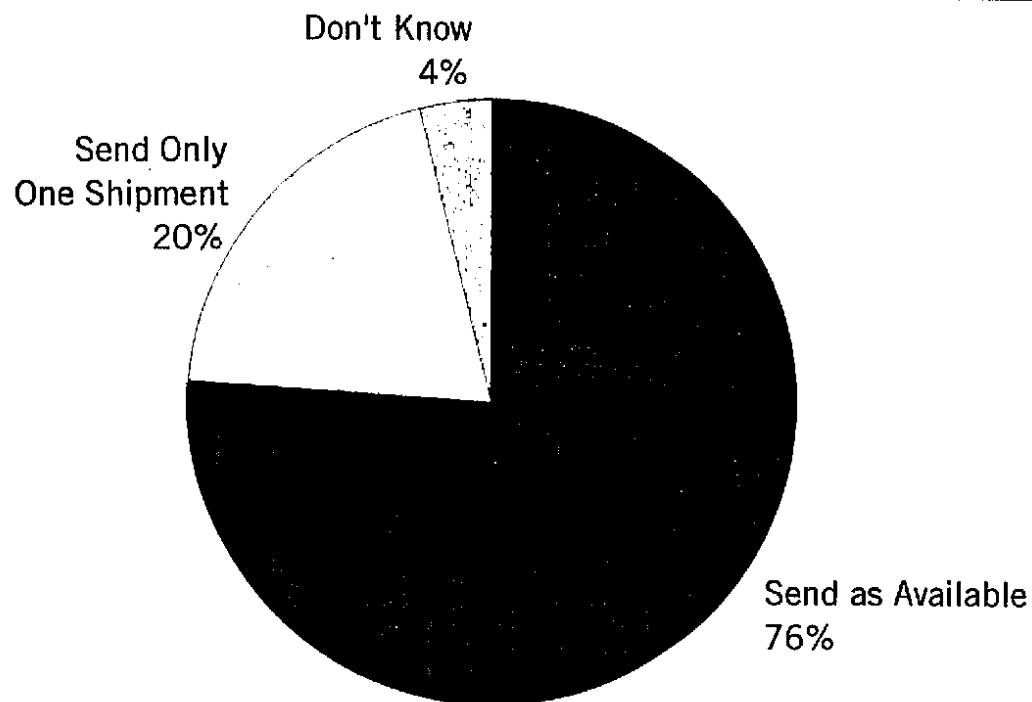


· About one-half of redeemers noticed an improvement in delivery timing.

e_jalo 0

2071665574

Cambridge
Preference for Back Orders

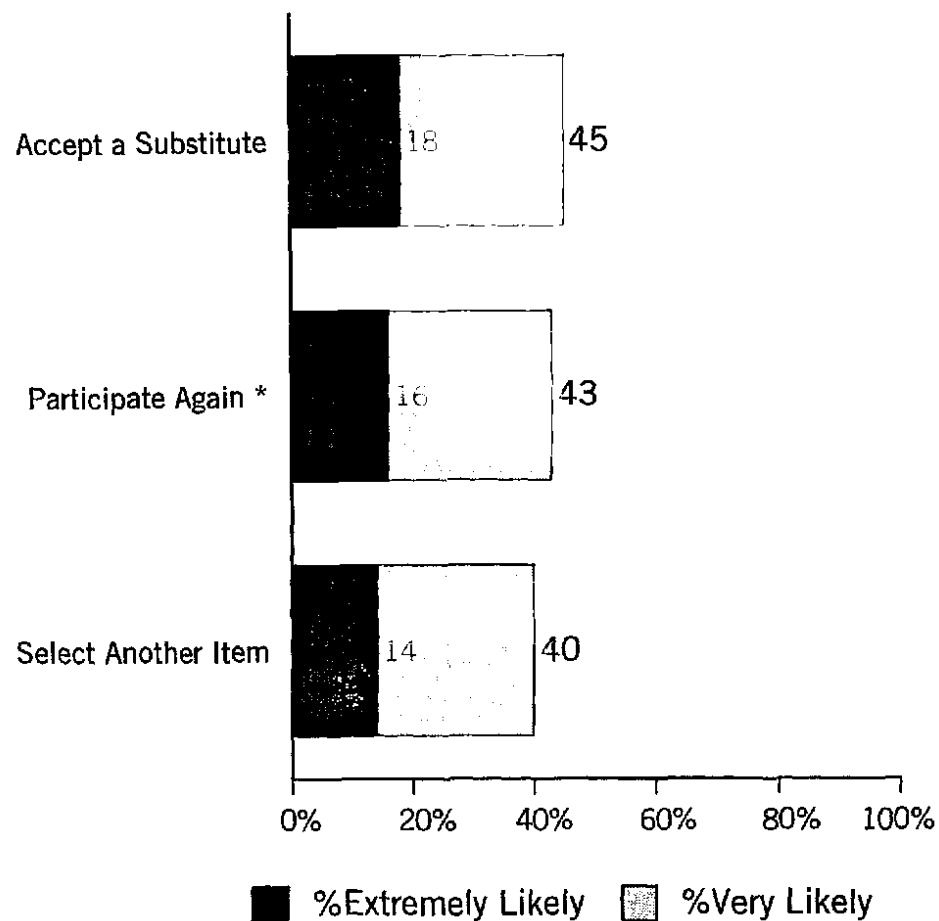


- Redeemers generally prefer to receive as many items as are available, with back-ordered items sent as soon as possible.

e_pbo 0

2071665575

Cambridge
Behavior Outcomes for Back-Order Situations



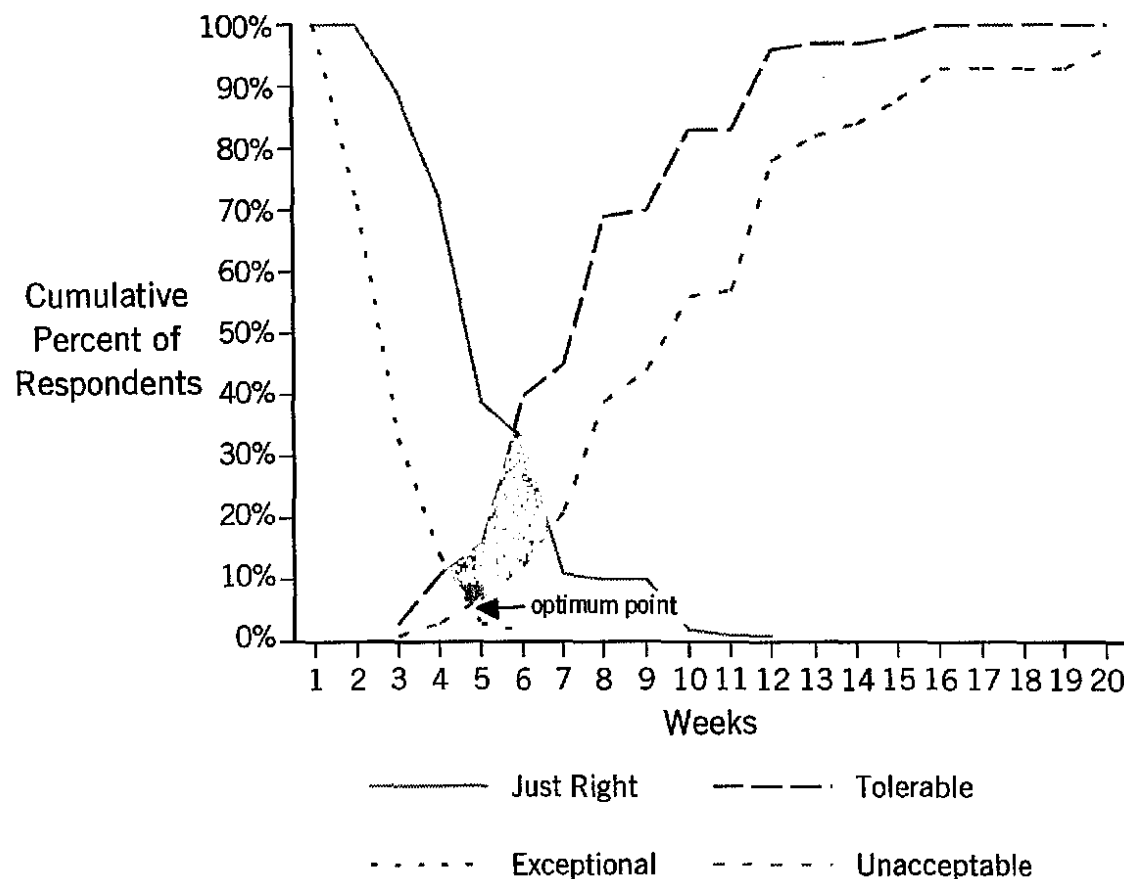
· Upon experiencing back-order situations, about four in ten redeemers are highly likely to be flexible and continue participating.

* Based on possibly receiving a substitute item.

9795991702

p_bofbos0

Cambridge Time Sensitivity – Delivery



- Based on redeemer expectations of delivery time, the optimum delivery time is just under 5 weeks.
- Four- to 6½-week delivery is within the range of acceptability.

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ts_d 0

Cambridge
Voice of the Customer – Delivery

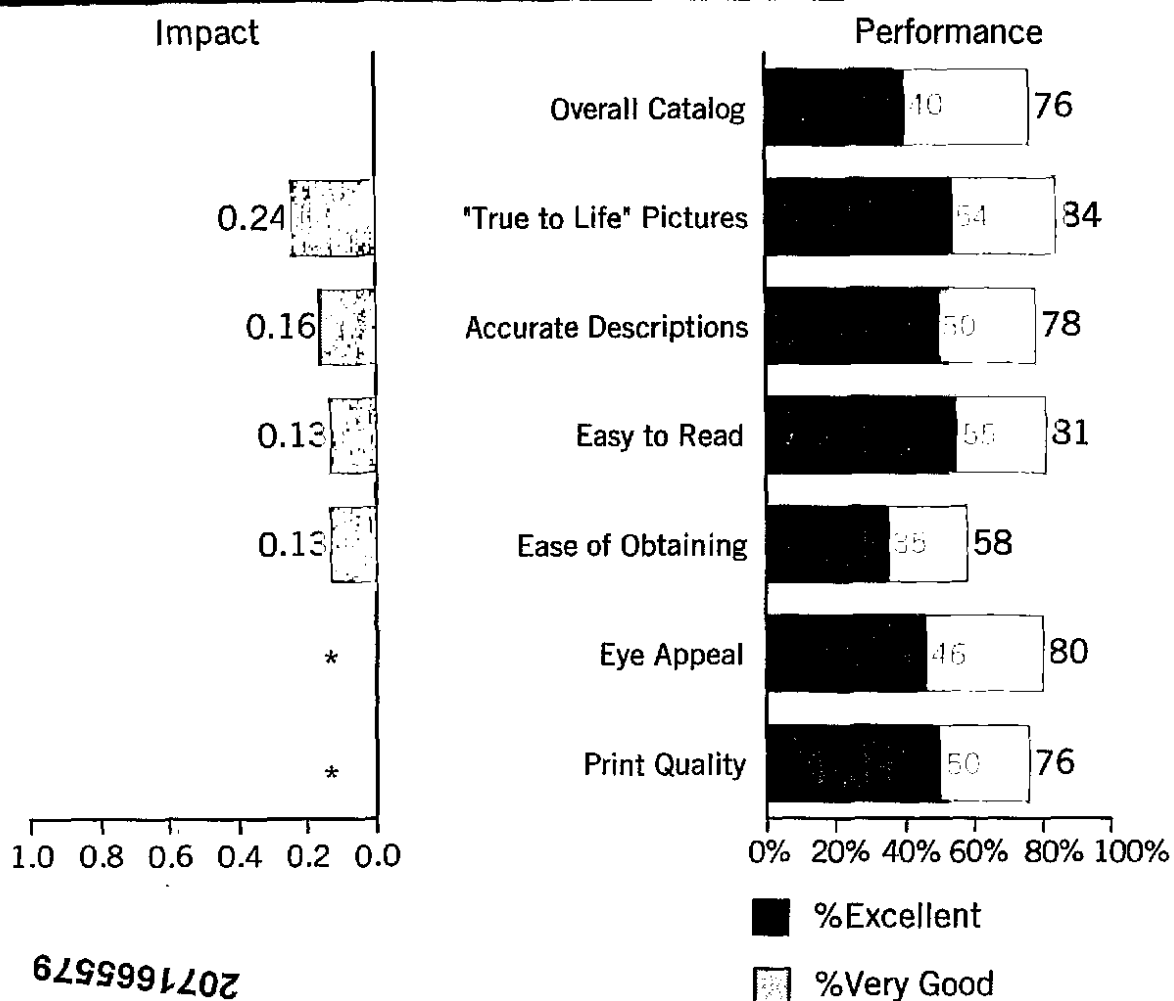
“We never have a problem. We sent in the UPC's for gifts and got them in about three weeks. I was very surprised to get it so soon.”

“If they cannot fill an order for whatever reason, let the person know.”

“Not to make it as long for delivery if the person sends the UPC's at the beginning.”

2071665578

Cambridge
 Impact/Performance – Catalog



· Catalog ratings are driven primarily by the pictures being "true to life."

* Not statistically significant.

Cambridge
Voice of the Customer – Catalog

“Have more catalogs available in the stores.”

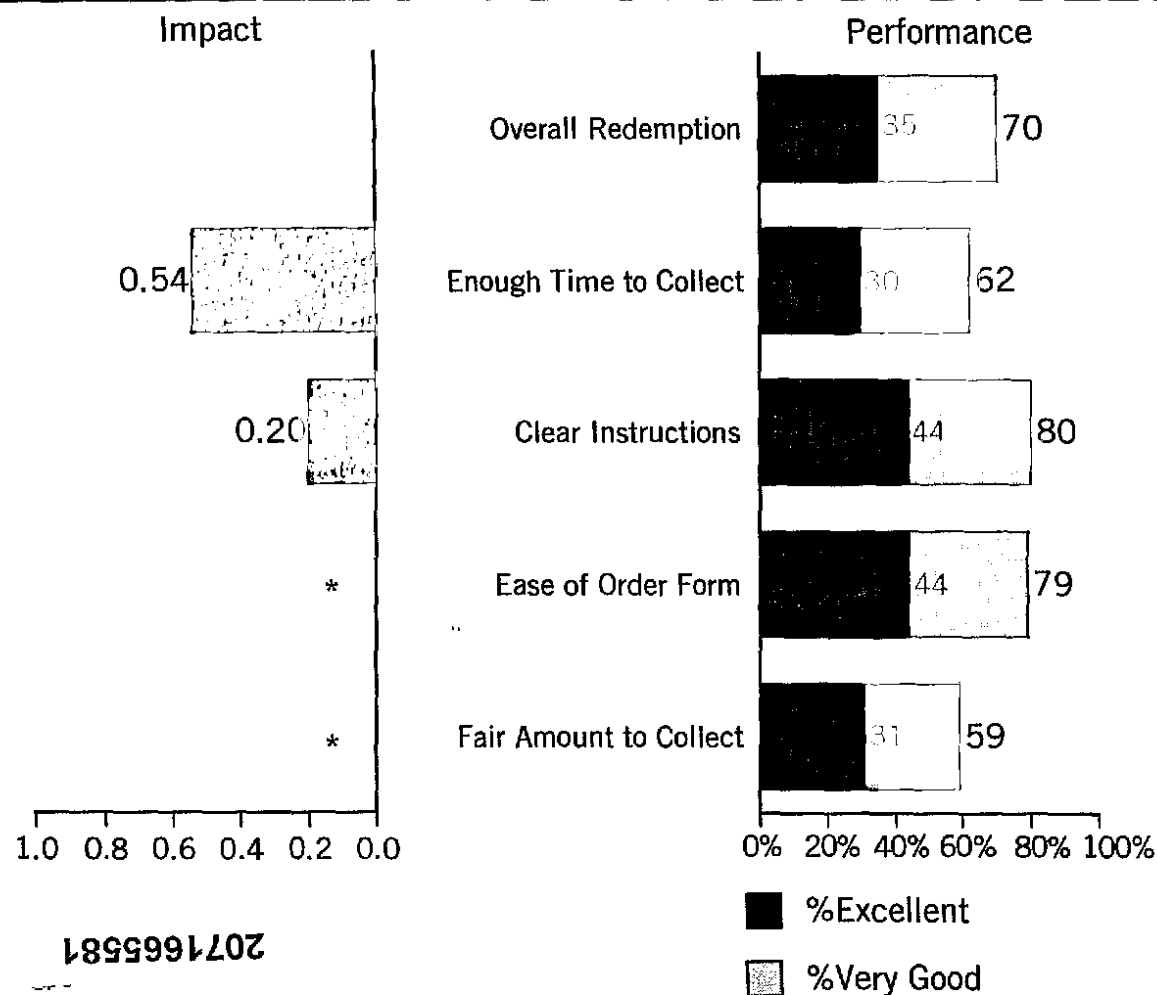
“Have more items to choose from and put displays in the store letting people know about your catalog. I did not know you had one. I found out from a girlfriend.”

“Give out more catalogs, make them more available in convenience stores, grocery stores.”

“They need more things in the book.”

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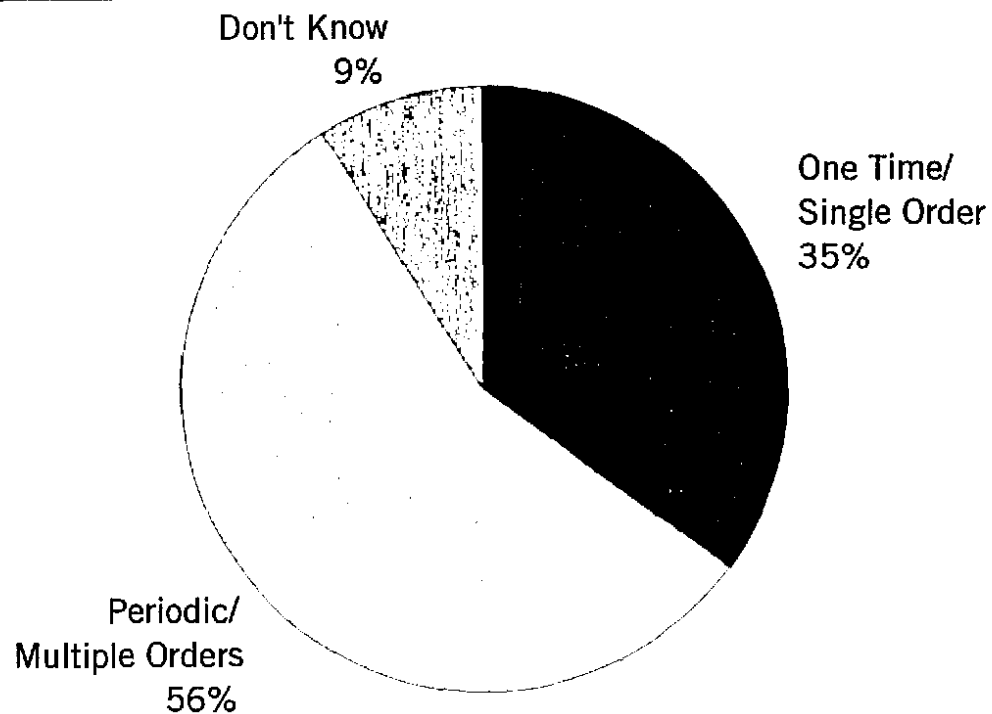
Cambridge
Impact/Performance – Redemption Process



• Having enough time to collect UPC's most strongly impacts ratings of the overall Redemption Process.

* Not statistically significant.

Cambridge
One-Time Versus Periodic Redemption



· Periodic ordering over the course of the catalog program is more common than holding UPC's for one single order.

e_olpr 0

2071665582

Cambridge

Voice of the Customer – Redemption Process

“I save my little bar codes and get stuff back. We’re getting ready to send in another order. They’re cheaper than the other brand cigarettes.”

“It’s easy to order and do and you’re offered a carton of cigarettes. I don’t say ‘Excellent’ because there is a limitation on the merchandise you can order.”

“Put two order forms in one booklet.”

“Your order form is too small. I can hardly write in all the information because it’s too small. I think the shipping and handling is too high.”

“I wish they would change their limit of only three items. I’d like to see them drop the limit altogether. I collect UPC’s all year long, so I could get quite a few things.”

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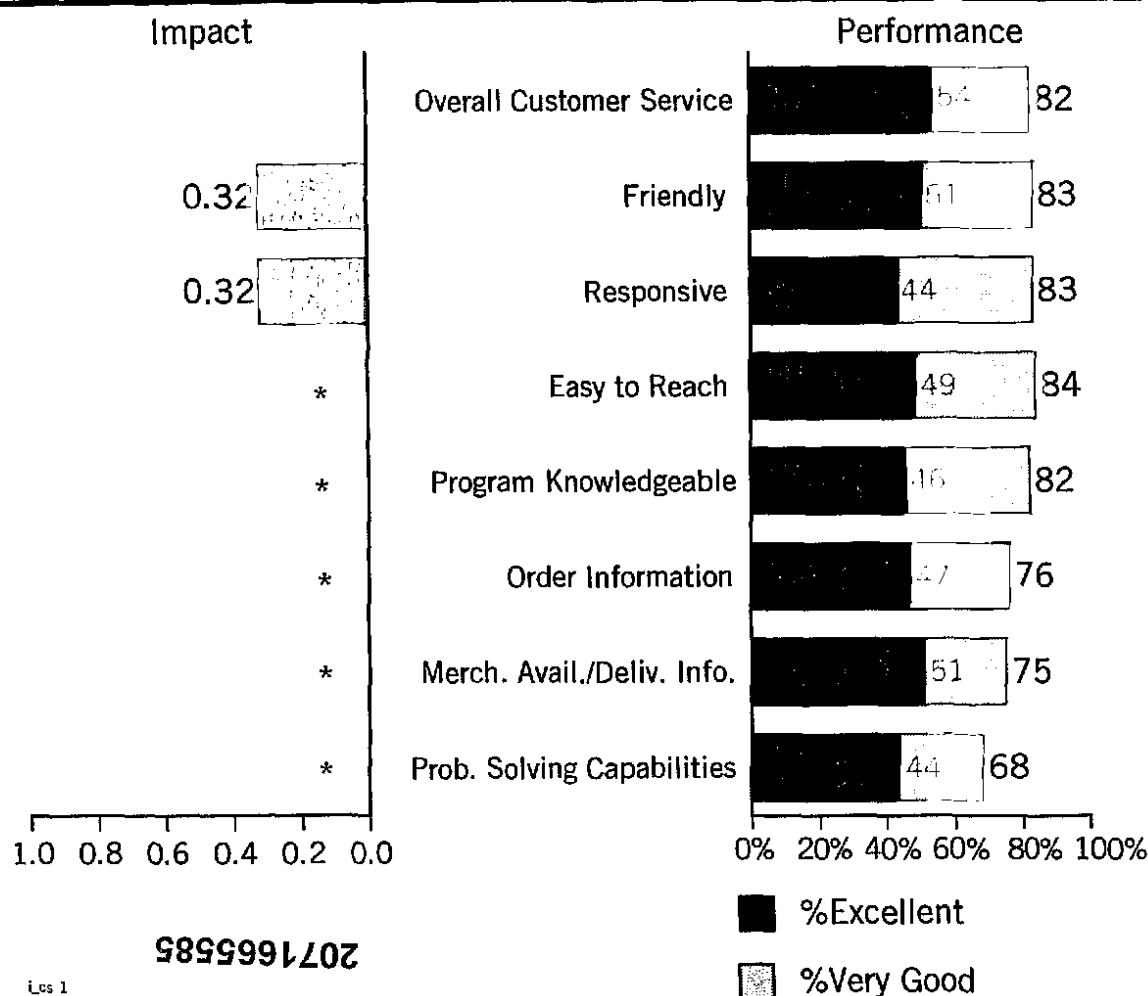
Cambridge

Voice of the Customer – Redemption Process (cont'd)

“See an item and you send in 200 UPC's, but you only have 50 or 75 UPC's. I did not get a catalog until the UPC's expired, and I saw items, but I could not save enough UPC's before the catalog ran out.”

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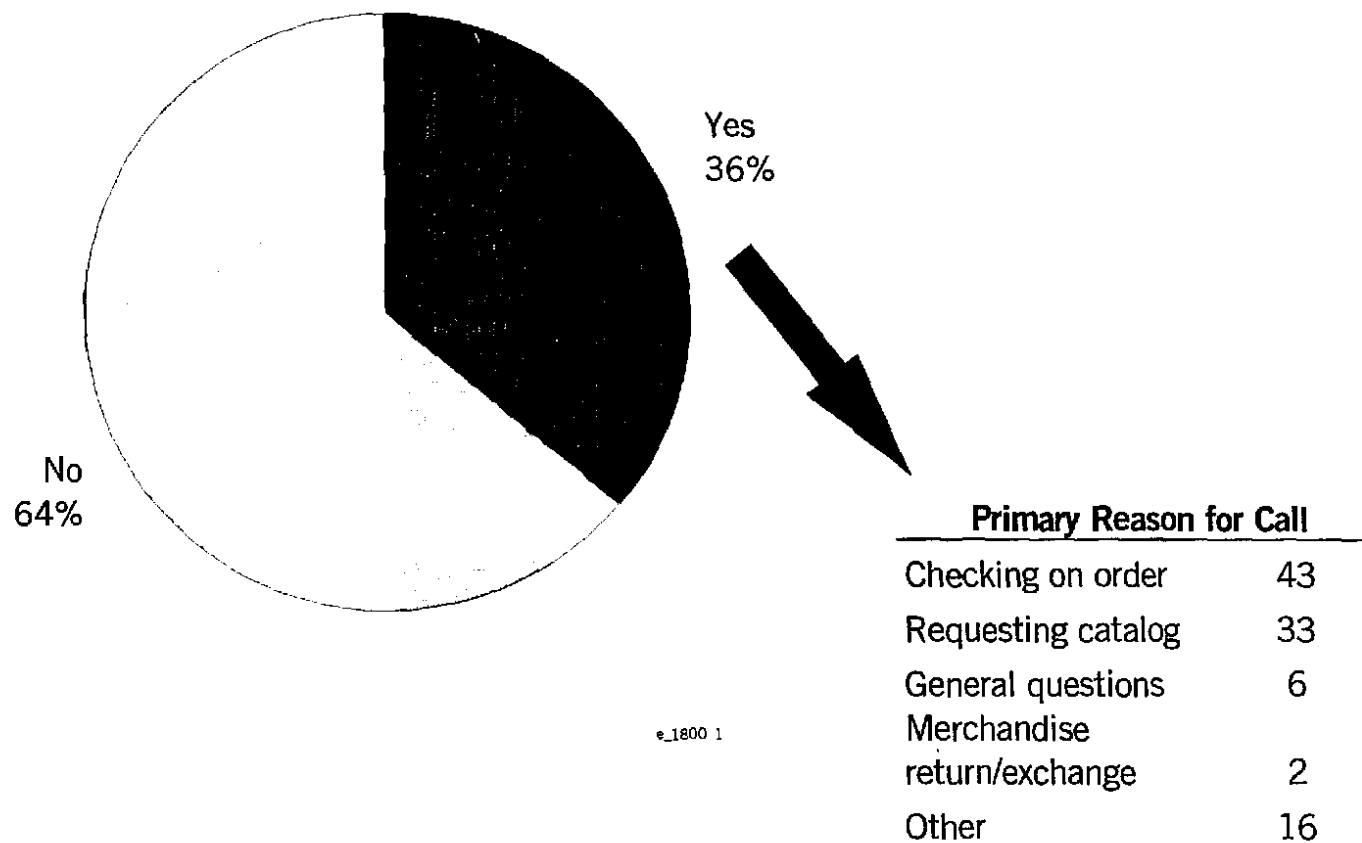
Cambridge
Impact/Performance – Customer Service Representative



- Friendliness and responsiveness are the key drivers of Customer Service Representative performance.
- Checking orders and requesting catalogs are the most common reasons for contacting Customer Service.

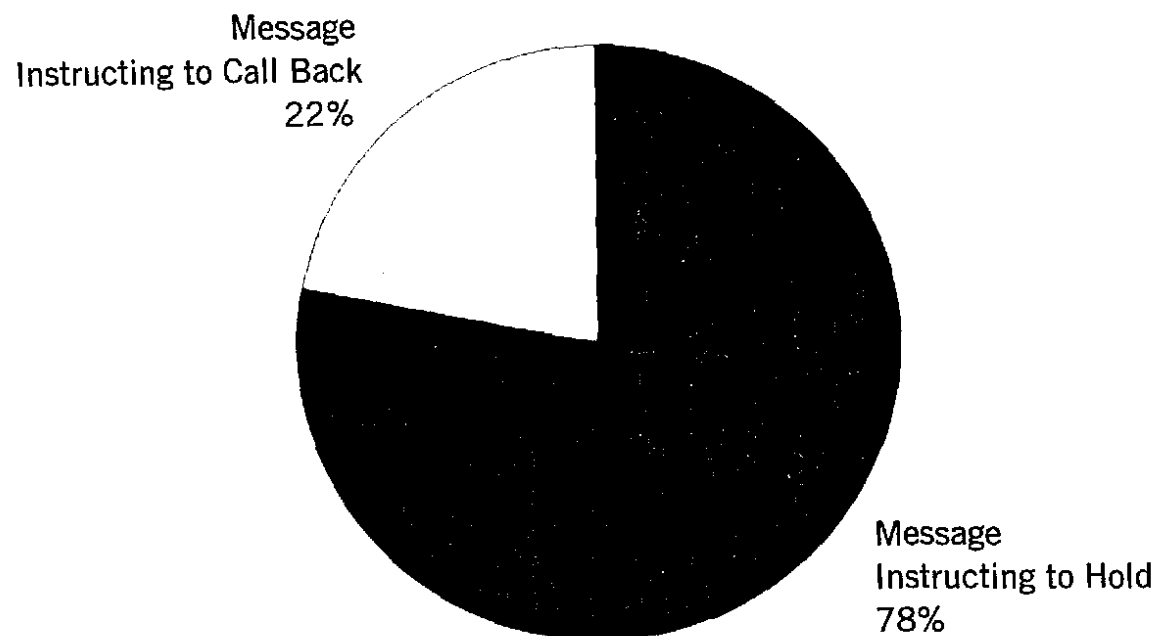
* Not statistically significant.

Cambridge
Usage of 1-800# Past Year



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Cambridge Preference When Cannot Reach "Live" Customer Service Rep

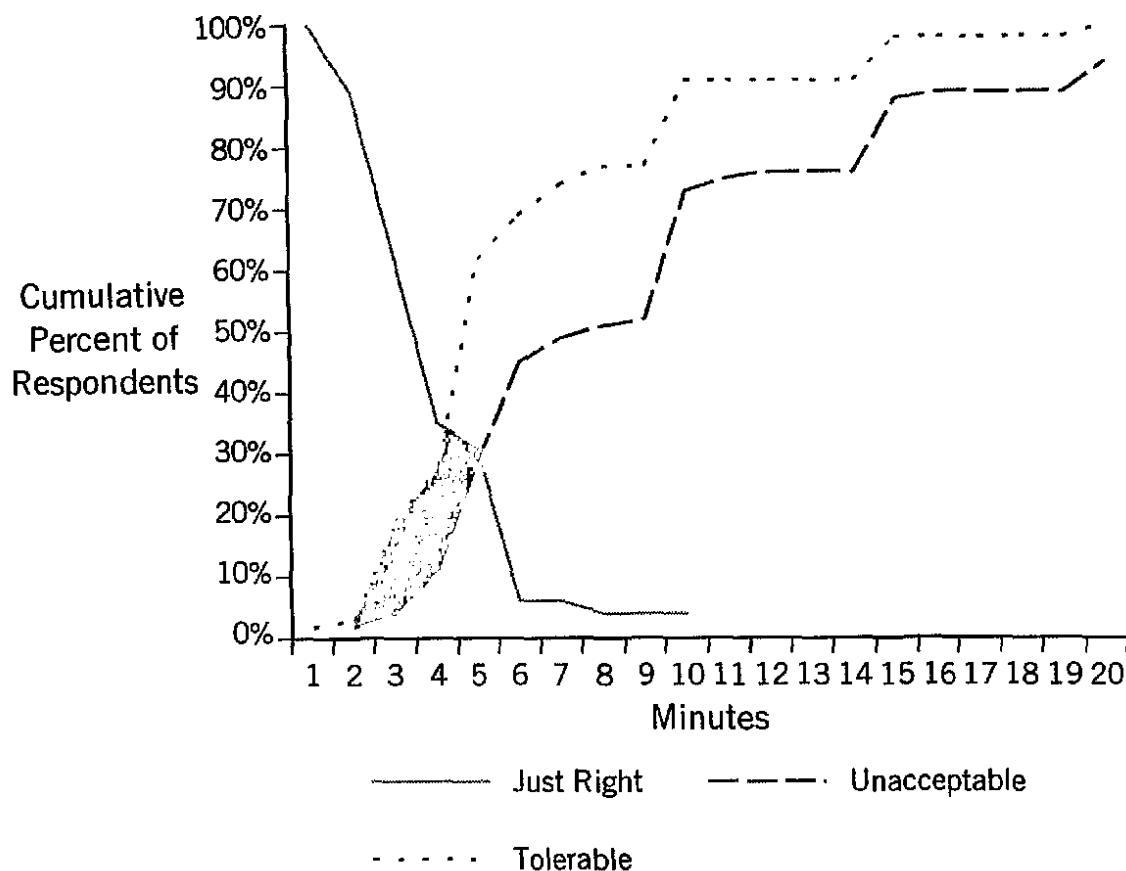


- Generally redeemers prefer holding for a representative rather than having to call back at a later time.

e_pwr 0

2071665587

Cambridge
Time Sensitivity – Waiting for Customer Service Rep



· Holding up to 5 minutes is within the acceptable range of expectations when waiting for a representative.

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ts_cs 0

Cambridge

Voice of the Customer – Customer Service Representatives

“Whenever we call them, they are very nice, and they answer our questions.”

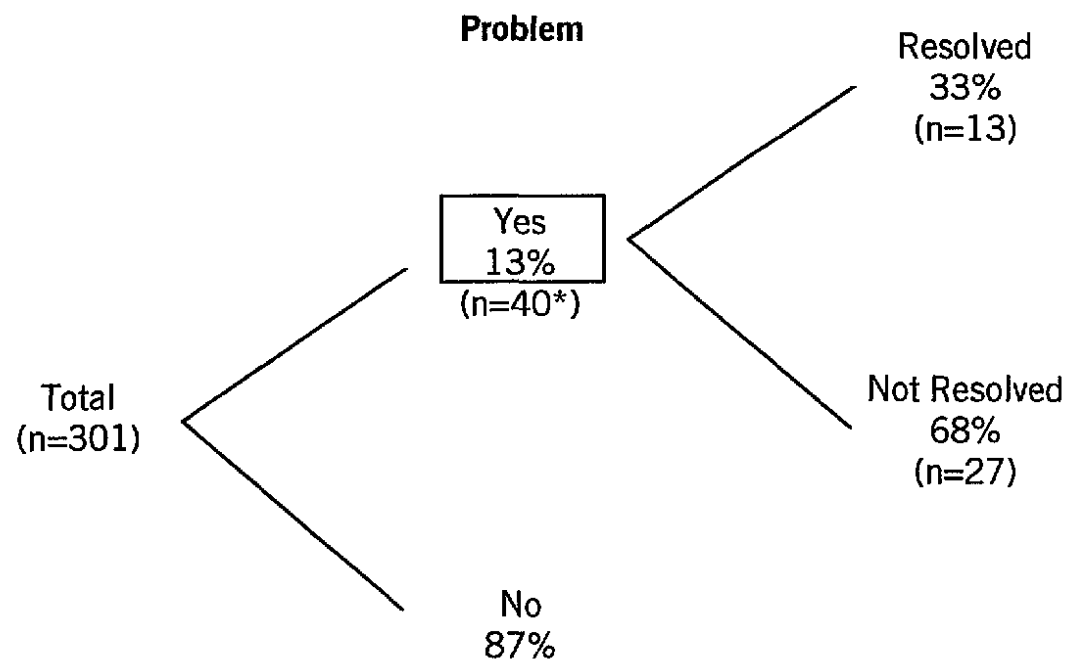
“We’ve called and no one seems to be knowledgeable about anything.”

“I think they could do better. Their promotion department lacks a little bit. I’ve had to call many times to see where things are. “

“I think make it a little easier to get answers to a question without beating around the bush.”

207166589

Cambridge
Problems Experienced



2071665590

* Caution – small base

Cambridge

Voice of the Customer – Problems Experienced

· Delivery was cited as the most common problem, followed by customer service and communications.

“I can’t seem to get the ashtray I ordered. It has been right at 12 weeks now, and I have called three times about it.”

“Just trying to get more catalogs. When I called them, they couldn’t answer my questions. They act as if they didn’t know anything about the program.”

“From my last order, I was supposed to get a free carton of cigarettes and never received it. It took over two months to get my order.”

2071665591

Cambridge

Voice of the Customer – Problems Experienced (cont'd)

“Trying to obtain information about an order, shipping dates. Sometimes you get somebody who knows what’s going on or sometimes you can’t get answers. It’s really hard to get information on the process. Sometimes they just pass you on and on.”

“One time, the first time, I didn’t fill out the form right. I didn’t know you could only order one item. They didn’t send my UPC’s back. Then recently I ordered two cartons of cigarettes that I didn’t get.”

2071665592

Cambridge

Voice of the Customer – Closing Suggestions

“Offer more selection of items in the catalog. Send out new catalogs more often. Now I think they come out twice a year. Maybe it’s because the items are expensive and you have to save a lot of UPC’s. Offer cheaper things so you don’t have to save so long, less expensive.”

“Have a few more items in their little book. There are not very many things in there.”

“Just more truthful descriptions of the items in the catalogs. More detail as far as the clothing. Whether the item is lined or not...”

“Advertise more. I don’t think too many people know about the program.”

“Make more catalogs available to places where Cambridge brands are sold.”

2071665593

Cambridge

Voice of the Customer – Closing Suggestions (cont'd)

“When they say they are going to ship something, they should have it there on time. Send it when they say they are going to send it, not six weeks later.”

“I can't think of anything, really, but it would be nice if we could use the carton UPC's instead of having to cut out 10 packs.”

“Put the UPC's higher on the package up towards the top, not on the bottom like it is now, so it will be easier to get to.”

“Not limiting the amount of items you can order at one time.”

“I think it would tickle people to death if you had the ‘buy a carton, get five packs free’ like Basic does. Your order form is too small. I can hardly write in all the information because it's too small. I think the shipping and handling is too high.”

2071665594

Cambridge
Key Findings and Implications

- Cambridge redeemers are extremely likely to continue participating in the catalog program. In fact, intended future participation is similar to Marlboro. Future objectives should focus on maintaining this high commitment while at the same time enhancing recommendation behavior among current redeemers.
- Rewarding loyal redeemers, ease of participating, and merchandise quality are strengths of the Cambridge program.
- Cambridge performance is fairly strong relative to Marlboro. Although overall opinion, images, merchandise, and communications of Cambridge are somewhat lower, price perceptions and delivery are considerably stronger than Marlboro.

2071665595

Cambridge
Key Findings and Implications (cont'd)

- Concentrate Cambridge catalog efforts on maintaining/improving program areas which have the greatest effect on commitment behavior.
 - » merchandise
 - » communications
 - » collection/redemption
 - » delivery
 - » catalog

2071665596

Cambridge
Action Priorities

Maintain:

Merchandise

Catalog

Delivery

Focus On:

Identify and meet redeemer expectations (brand names)

"True to life" pictures

Manage back-orders
Delivery within 6½ weeks

Will Improve:

Overall Quality/Overall Image
↓
Commitment

Improve:

Communication

Collection

Redemption

Be Proactive

Ease of tearing/cutting and storing

Allow enough time to collect

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TOTAL
RESULTS

Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Total Results/Brand Catalog Comparison

2071665599

Brand Catalog
Key Overall Findings and Implications

Key findings and implications of this research mirror the recent Marlboro effort.

- All brand catalog redeemers are highly loyal to the program and their brand.
- Overall Image of the programs is consistently strong based on the perceived rewards, ease, and merchandise quality.
- Merchandise is the central focus and strength of the catalog programs; therefore, expectations for merchandise must continually be identified and met on a continual basis.

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Brand Catalog
Key Overall Findings and Implications (cont'd)

- Although specific action priorities differ somewhat across brands, the following initiatives are generally common:
 - » Improve perceptions of collection ease
 - » Deliver within 7 weeks/limit back-order situations
 - » For all brands (except Marlboro) communicate to build awareness/grow program

2071665601

Brand Catalog
Process Area Impact – Comparison by Brand

- Generally, the process areas which drive redeemers to continue participating do not differ widely across brands.
- Merchandise is the primary driver of redeemer behavior for all brands, including Marlboro.
- However, likely due to brand strength and image, Marlboro shows two key variances in behavior drivers compared to other brands.
 - » Communication is less a driver for Marlboro.
 - » Redemption, not a key driver for any other brand, is the third highest driver for Marlboro.

2071665602

Brand Catalog
Total Effects – Process Areas Impact by Brand

| | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|------------------|--------------------|-----------|-------|-------------------|-------------------------|
| Merchandise | 1 | 1 | 1 | 1 | 1 |
| Collection | 2 | 3 | 2 | 4 | 2 |
| Communications | 3 | 2 | 3 | 2 | 5 |
| Delivery | * | 3 | * | 3 | 4 |
| Catalog | * | 4 | * | 5 | 3 |
| Redemption | * | * | * | * | 3 |
| Customer Service | * | * | * | * | * |

*No significant impact on continue to use

2071665603

Brand Catalog
Performance Comparison by Brand

Generally catalog performance ratings are fairly similar across brands. However, Marlboro appears somewhat more positive likely due to size and popularity of the program, as well as a brand "halo" effect.

- Positive commitment behavior for the Marlboro Miles program is somewhat stronger relative to other brands.
- Similarly, redeemers' overall opinion of the Marlboro program is more positive than programs of remaining brands.
- Marlboro Miles also enjoys *more* positive images, mainly uniqueness, ease, and merchandise.

2071665604

Brand Catalog
Performance Comparison by Brand (cont'd)

- Other unique strengths by brand include:
 - » Virginia Slims program performs above most other brands on Low Effort.
 - » The Cambridge program is perceived much more positively on Price.
- Concerning performance of various aspects, several strengths by program are noted.
 - » Marlboro communications and merchandise
 - » Virginia Slims collection
 - » Cambridge delivery

2071665605

Brand Catalog
Top Two Box Performance Comparison – Redeemer Commitment

| | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|---------------------------------|--------------------|-----------|-------|-------------------|-------------------------|
| | a | b | c | d | e |
| Recommend | 73 | 76 | 72 | 78 c | 80 ac |
| Continue to Participate | 90 | 94 ad | 93 | 90 | 94 ad |
| Participate in Other Activities | 74 | 72 | 76 | 75 | 82 abcd |

a,b,c,d,e: Significant difference between brands at 95% confidence

2071665602

Brand Catalog
Top Box Performance Comparison – Redeemer Commitment

| | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|---------------------------------|--------------------|-----------|-------|-------------------|-------------------------|
| | a | b | c | d | e |
| Recommend | 38 | 44 | 39 | 48 ac | 46 ac |
| Continue to Participate | 61 | 59 | 62 | 67 b | 66 b |
| Participate in Other Activities | 50 | 43 | 46 | 51 b | 50 b |

a,b,c,d,e: Significant between brands at 95% confidence

2071665607

Brand Catalog
Top Two Box Performance Comparison – Overall Perceptions

| | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|-----------------|--------------------|-----------|-------|-------------------|-------------------------|
| | a | b | c | d | e |
| Overall Opinion | 74 | 77 | 76 | 73 | 84 abcd |
| Overall Quality | 79 d | 79 d | 79 d | 73 | NA |
| Overall Effort | 50 | 55 | 53 | 62 abc | 59 a |
| Overall Price* | 24 | 49 acde | 28 | 22 | 23 |
| Overall Value | 81 bd | 74 | 76 | 71 | 78 d |

*Based on those who are discount smokers

a,b,c,d,e: Significant difference between brands at 95% confidence

2071665608

Brand Catalog
Top Box Performance Comparison – Overall Perceptions

| | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|-----------------|--------------------|-----------|-------|-------------------|-------------------------|
| | a | b | c | d | e |
| Overall Opinion | 37 | 36 | 38 | 38 | 45 abcd |
| Overall Quality | 41 | 39 | 39 | 40 | NA |
| Overall Effort | 25 | 22 | 22 | 22 | 22 |
| Overall Price* | 10 | 13 cde | 0 | 0 | 5 |
| Overall Value | 41 | 35 | 34 | 36 | 40 |

*Based on those who are discount smokers

a,b,c,d,e: Significant between brands at 95% confidence

609599170Z

Brand Catalog
Top Two Box Performance Comparison – Overall Images

| | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|----------------------------|--------------------|-----------|-------|-------------------|-------------------------|
| | a | b | c | d | e |
| Overall Image (Index) | 89 | 90 | 88 | 89 | 93 acd |
| Unique Program | 79 | 82 c | 75 | 82 c | 90 abcd |
| Easy to Participate In | 94 | 96 | 96 | 96 | 98 abcd |
| Good Reward for Loyalty | 97 | 99 acd | 96 | 96 | 98 cd |
| Merchandise Matches Image | 93 b | 89 | 93 b | 92 | 98 abcd |
| Type of Program Expected | 87 | 89 | 86 | 87 | 89 |
| Reinforces as "Best Brand" | 81 | 85 | 84 | 83 | 85 |

a,d,c,d,e: Significant difference between brands at 95% confidence

0199991702

Brand Catalog
Top Box Performance Comparison – Overall Images

| | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|----------------------------|--------------------|-----------|-------|-------------------|-------------------------|
| | a | b | c | d | e |
| Overall Image Index | 30 | 28 | 27 | 32 | 36 abcd |
| Unique Program | 21 | 20 | 19 | 22 | 31 abc |
| Easy to Participate In | 28 | 32 | 31 | 36 a | 41 bc |
| Good Reward for Loyalty | 46 | 41 | 41 | 51 bc | 48 bc |
| Merchandise Matches Image | 33 | 29 | 26 | 34 b | 36 |
| Type of Program Expected | 24 | 23 | 22 | 24 | 26 |
| Reinforces as "Best Brand" | 30 | 24 | 25 | 27 | 32 bc |

a,b,c,d,e: Significant between brands at 95% confidence

2071665611

Brand Catalog
Top Two Box Performance Comparison – Process Areas

| | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|----------------------|--------------------|-----------|-------|-------------------|-------------------------|
| | a | b | c | d | e |
| Catalogs | 77 | 76 | 80 | 79 | 81 |
| Merchandise | 86 | 86 | 87 d | 81 | 90 bd |
| Redemption | 66 | 70 | 64 | 64 | 69 |
| Collection | 52 c | 53 c | 45 | 60 abc | 55 c |
| Customer Service Rep | 88 | 82 | 85 | 83 | 83 |
| Delivery | 67 | 80 ade | 77 ae | 72 | 68 |
| Communications | 69 | 70 | 68 | 73 | 79 abcd |

a,b,c,d,e: Significant difference between brands at 95% confidence

2071665612

Brand Catalog
Top Box Performance Comparison – Process Areas

| | Benson & Hedges | Cambridge | Merit | Virginia Slims | Marlboro (June 1995) |
|----------------------|--------------------|-----------|-------|-------------------|-------------------------|
| | a | b | c | d | e |
| Catalogs | 43 | 40 | 42 | 42 | 45 |
| Merchandise | 59 | 55 | 54 | 52 | 63 bcd |
| Redemption | 31 | 35 | 28 | 31 | 30 |
| Collection | 25 | 22 | 20 | 28 c | 25 |
| Customer Service Rep | 58 | 54 | 60 | 59 | 62 |
| Delivery | 43 | 50 e | 47 | 45 | 42 |
| Communications | 40 | 33 | 33 | 43 bc | 48 abc |

a,b,c,d,e: Significant difference between brands at 95% confidence

2071665613

Voice of the Customer – Brand Comparison Comments

Virginia Slims Redeemers:

“They need a larger selection. More variety. Have all the choices that Marlboro does in their catalog.”

“Marlboro and Camel have much better merchandise and a good variety. Camel does not charge delivery or postage or postage fees. You offer 10 items per catalog, with no variety. Give us throws, ice chests, mugs – non-girly things.”

“I like that they always advertise in the magazines. That’s the only way I can get a catalog. They are also reasonable. Marlboro wants more UPC’s for all their items.”

“Do like Marlboro does. When they receive your order, they send you a postcard saying they have received your order and when it will be sent to you. And if it’s going to be late, they send you a card letting you know that and when you can expect it. And if they have it in stock, they send it out right away, and you receive it in three weeks.”

2071665614

Voice of the Customer – Brand Comparison Comments

Merit Redeemers:

“They’ve got good merchandise. I like it better than Marlboro. It’s not as hard to get it. It takes more miles to get Marlboro merchandise, and Marlboro cigarettes are more expensive. I like the Merit merchandise better. I think they’re good cigarettes.”

“It is because I have seen the other ones. The Marlboro one is one in which the selection is very limited and everything is red.”

2071665615

Voice of the Customer – Brand Comparison Comments

Benson & Hedges Redeemers:

“Compared to what I’ve seen with other programs, the Camel catalog and the Marlboro program, the Benson & Hedges program is not as good as the Marlboro program. The catalog for Marlboro has better products available and a more extensive list.”

“They are running second to Marlboro. Marlboro offers a little more.”

“The quality of the merchandise is good. It’s not tacky, because it does not have the cigarette brand name written all over the merchandise like Marlboro does.”

2071665616

Voice of the Customer – Brand Comparison Comments

Cambridge Redeemers:

“I think they should have more items in their catalog to make it more excellent. It’s a very limited catalog compared to Marlboro. I’ve never ordered from Marlboro because I smoke Cambridge. That’s the main reason. I’d like to see items like a Canon Sure Shot, a heater/cooler, or a Panasonic CD player like Marlboro has.”

“It is because Camel and Marlboro have a lot of stuff and you only have a handful, maybe 10 items, to choose from.”

“Put the book in the store so more people are aware of the program like Marlboro does.”

2071665617

2071665618

Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Appendix

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WalkerInformation 

Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Brand Catalog Sample Information

| | Virginia Slims | | | |
|--------------|-------------------|-------------------|----------------|----------------|
| | # of Completes | % of Completes | # in Sample | % of Sample |
| Female 21-24 | 16 | 5% | 115 | 4% |
| Male 21-24 | 2 | <1% | 11 | <1% |
| Female 25-34 | 101 | 34% | 750 | 25% |
| Male 25-34 | 1 | <1% | 35 | 1% |
| Female 35+ | 170 | 57% | 1,927 | 66% |
| Male 35+ | 10 | 3% | 90 | 3% |
| Total | 300 | | 2,928 | |

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WalkerInformation 

Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Brand Catalog Sample Information

| | Merit | | | |
|--------------|-------------------|-------------------|----------------|----------------|
| | # of Completes | % of Completes | # in Sample | % of Sample |
| Female 21-24 | 1 | <1% | 20 | <1% |
| Male 21-24 | 1 | <1% | 9 | <1% |
| Female 25-34 | 41 | 13% | 308 | 10% |
| Male 25-34 | 14 | 5% | 143 | 5% |
| Female 35+ | 129 | 42% | 1,455 | 50% |
| Male 35+ | 120 | 39% | 1,000 | 34% |
| Total | 306 | | 2,935 | |

2071665621

Brand Catalog Sample Information

| | Benson & Hedges | | | |
|--------------|-------------------|-------------------|----------------|----------------|
| | # of Completes | % of Completes | # in Sample | % of Sample |
| Female 21-24 | 2 | <1% | 27 | <1% |
| Male 21-24 | 2 | <1% | 13 | <1% |
| Female 25-34 | 45 | 15% | 286 | 10% |
| Male 25-34 | 18 | 6% | 99 | 3% |
| Female 35+ | 141 | 47% | 1,730 | 59% |
| Male 35+ | 93 | 31% | 802 | 27% |
| Total | 301 | | 2,957 | |

2071665622

Brand Catalog
Redeemer Satisfaction Program
March 6, 1996

Brand Catalog Sample Information

| | Cambridge | | | |
|--------------|-------------------|-------------------|----------------|----------------|
| | # of Completes | % of Completes | # in Sample | % of Sample |
| Female 21-24 | 9 | 3% | 60 | 2% |
| Male 21-24 | 5 | 2% | 34 | 1% |
| Female 25-34 | 48 | 16% | 295 | 10% |
| Male 25-34 | 22 | 7% | 151 | 5% |
| Female 35+ | 115 | 38% | 1,438 | 49% |
| Male 35+ | 102 | 34% | 933 | 32% |
| Total | 301 | | 2,911 | |

2071665623

Brand Catalog **LISREL Analysis**

LISREL (Linear Structural Relations) is the most widely used and accepted approach for structural equation modeling. Structural equation modeling simultaneously examines a series of relationships between independent and dependent constructs. It encompasses an entire family of models known by names such as covariance structural analysis, latent variable analysis, confirmatory factor analysis and often, simply, LISREL analysis.

In its classic form, LISREL combines elements of factor analysis and regression all in one simultaneous estimation. LISREL is a statistical tool used for the analysis of data according to a specified causal model (i.e., a path diagram showing all the presumed cause-effect relationships among the latent variable constructs). The goal of LISREL is to estimate the relationships among latent variables (e.g., Commitment) which are inferred from one or more observed variables (e.g., recommend, continue and participate in other) within a causal model. A latent variable cannot be measured directly. It can be represented or measured by one or more variables. Normally, the relationships among the latent variables are stronger than the relationships among the observed variables.

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